

CONFORMED COPY

CREDIT NUMBER 3055 MAU

Development Credit Agreement

(Health Sector Investment Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 30, 1998

CREDIT NUMBER 3055 MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 30, 1998, between ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association):

WHEREAS (A) 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;

(B) the Association has received from the Borrower a letter, dated October 20, 1997 (the Plan Directeur 1998-2002), and a second letter (the letter of Sectoral Policy), dated December 15, 1997, describing a program of actions, objectives and policies designed to strengthen the health sector (hereinafter collectively referred to as "the Program"), and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower intends to obtain from various Donors (as hereinafter defined) grants and loans to assist in financing the Program; 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 modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

- (c) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Association. If: (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time, the Association determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time, the Association determines, with respect to any contract to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) at any time, the Association determines that the procurement of any contract to be financed out of the proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Development Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (e) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be canceled."

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) "Beneficiary" means an individual for whom health care is being, or has been, provided in the territory of the Borrower, and "Beneficiaries" mean several such individuals;

(b) "Budget" means the budget for the health Sector (as hereinafter defined) in a particular Fiscal Year (as hereinafter defined) which has been approved by the Borrower's Parliament;

(c) "DAAF" means Direction des Affaires Administratives et Financières, the Directorate of Administrative and Financial Affairs in MSAS (as hereinafter defined);

(d) "DAS" means Direction d'Action Sociale, the Directorate of Social

Activities in MSAS (as hereinafter defined);

(e) "DGI" means Direction de Gestion des Investissements, the Directorate for investment management in MSAS, (as hereinafter defined);

(f) "District" means an administrative area in the territory of the Borrower known as Wilaya, and "Districts" mean several such Wilayas;

(g) "Donors" mean, collectively, national or multilateral agencies contributing resources/funds to, or technical assistance for, the Program, and "Donor" means each donor individually;

(h) "DRASS" means Direction Régionale de l'Action Sanitaire et Sociale, the Directorate in charge of decentralized health activities in MSAS (as hereinafter defined);

(i) "Fiscal Year" or "FY" means the twelve-month period beginning January 1 and ending December 31 of each year according to the Gregorian calendar;

(j) "MSAS" means Ministère de la Santé et des Affaires Sociales, the Borrower's Ministry of Health and Social Affairs;

(k) "NGO" means a non-governmental organization established and operating in the territory of the Borrower;

(l) "ONS" means Office Nationale de la Statistique, the Borrower's National Office for Statistics;

(m) "Ouguiya" and "UM" means the currency of the Borrower;

(n) "PDIS" means Plan de Développement des Infrastructures de Santé, the Borrower's plan for the construction or rehabilitation, as the case may be, of infrastructure works in the health sector (as hereinafter defined);

(o) "POAS" means Plan Operationnel Annuel pour le Secteur de la Santé, the Borrower's approved annual operational plan for the health Sector (as hereinafter defined), setting forth the activities for carrying out the Program in a specific Fiscal Year, consistent with the PTHG (as hereinafter defined) and the PDIS, including, inter alia, a detailed financing plan setting forth separately the contributions to be made respectively by Donors, Beneficiaries and from the Budget;

(p) "PRCI" means Plan de Renforcement de la Capacité Institutionnelle, the Borrower's development plan for the Sector, (as hereinafter defined); strengthening the institutional capacity of all administrative entities active in the Borrower's health sector;

(q) "Program Implementation Manual" or "PIM" means the Manuel d'Exécution du Programme, a manual containing, inter alia, the monitoring and performance indicators referred to in paragraph 2 of Schedule 4 to this Agreement, guidelines and procedures for carrying out the Program, and such term includes any schedules and amendments to the PIM;

(r) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated October 9, 1997 and October 28, 1997, respectively;

(s) "PTHG", means Plan Triennal à Horizon Glissant, the Borrower's three year rolling health plan for the Sector (as hereinafter defined);

(t) "Sector" means the Borrower's sector of health and social activities (secteur de la santé et de l'action sociale);

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

(v) "Subprogram" means the activities carried out or to be carried out within a specific Fiscal Year, consistent with the Program financed, or to be financed, out

of the proceeds of the Credit;

(w) "UNFPA" means the United Nations Fund for Populations Activities;

(x) "UNIPAC" means the United Nations Children's Fund Procurement and Assembly Center; and

(y) "WHO" means the World Health Organization.

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 seventeen million eight hundred thousand Special Drawing Rights (SDR 17,800,000).

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 may, for the purposes of the Project, open and maintain in Dollars, a special deposit account 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, the 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 the Association 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 canceled.

Section 2.03. The Closing Date shall be June 30, 2003, 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 semiannually on May 1 and November 1 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 semiannual installments payable on each June 15 and December 15, commencing June 15, 2008 and ending December 15, 2037. Each installment to and including the installment payable on December 15, 2017 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 semiannual 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 objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and public 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, and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Plan set forth in Schedule 4 to this Agreement.

Section 3.02. The Borrower shall:

(a) open an account in Ouguiya in a commercial bank acceptable to the Association, (the Project Account) and thereafter maintain said Project Account under terms and conditions acceptable to the Association until the completion of the Project;

(b) deposit into the Project Account: (i) an initial amount of UM 15,000,000 and (ii) thereafter, replenish the Project Account by the amounts required to finance the Borrower's share of expenditures agreed between the Borrower and the Association with respect to Subprograms;

(c) ensure that funds deposited into the Project Account in accordance with paragraph (b) of this Section shall be used exclusively to finance the Borrower's contribution for expenditures under the Project other than those financed from the proceeds of the Credit, or grants and loans made available by Donors.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the carrying out of 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 3.04. For the purposes of Section 9.06 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 Program; 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, 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 the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, 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 FY, 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 and 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:

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

(ii) retain, until at least one year after the Association has received the audit report for the FY 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 furnished during such FY,
together with the procedures and internal controls involved in
their preparation, can be relied upon to support the related
withdrawals.

ARTICLE V

Remedies of the Association

Section 5.01. 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) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Program shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such loan shall have become due and payable prior to the maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Program are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02 Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that section.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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 Borrower has opened the Project Account and has deposited therein the initial amount referred to in Section 3.02 (b) (i) of this Agreement;

(b) the Borrower has approved the PRCI, in substance satisfactory to the Association;

(c) the PIM has been duly approved by the Association and adopted by the Borrower;

(d) the Borrower has appointed the auditors referred to in Section 4.01 (b) of this Agreement, under terms and conditions acceptable to the Association and in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(e) the Borrower has appointed the personnel, satisfactory to the Association, referred to in paragraph 6 (a) of Schedule 4 to this Agreement, in accordance with the provisions of said paragraph, and has appointed the directors, satisfactory to the Association, referred to in paragraph 7 (a) of Schedule 4 to this Agreement;

(f) the computerized accounting system for the Project and the Program referred to in paragraph 6 (b) of Schedule 4 to this Agreement has been installed in DGI and DAAF; and

(g) the Borrower has furnished to the Association copy of prepared bidding documents, satisfactory to the Association, for works and goods to be procured in FY 1998 and to be financed out of the proceeds of the Credit.

Section 6.02. The date one hundred and eighty (180) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for planning is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministre du Plan
Ministère du Plan
BP 238
Nouakchott, Mauritania

Cable address:

MP
Nouakchott

Telex:

540 MTN

For the Association:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:

INTBAFRAD
Washington, DC

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.

ISLAMIC REPUBLIC OF MAURITANIA

By /s/ Ahmed Ould Sid'Ahmed

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Hasan Tuluy

Acting 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) Civil works	1,300,000	100%
(2) Goods (including drugs)	1,600,000	100%
(3) Consultants' services and training	1,100,000	100%
(4) Incremental operating costs	450,000	90%
(5) Refunding of the Project Preparation Advance	350,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	13,000,000	
TOTAL	17,800,000	

2. For the purposes of this Schedule the term "incremental operating costs" means the incremental expenses incurred on account of Program Project implementation, management and monitoring, including office supplies, operation and maintenance of vehicles and equipment, Project travel and supervision, and salaries for local contractual staff, but excluding salaries of officials of the Borrower's civil and public service.

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

(a) in respect of payments made for expenditures prior to the date of this Agreement;

(b) in respect of payments made for expenditures under a Subprogram, unless (i) such Subprogram has been approved by the Association in accordance with the provisions of paragraph 3 (a) of Schedule 4 to this Agreement, as the case may be, and (ii) the Borrower has furnished to the Association documents, satisfactory to the Association, consisting of the following: (A) the draft Budget submitted to its Parliament for the Fiscal Year corresponding to the Subprogram referred to in this subparagraph (b); and (B) a report and respective records indicating evidence that expenditures incurred under the Subprogram for the first nine months prior to the beginning of the FY referred to in subparagraph (A) of this paragraph were made in compliance with the objectives of the respective POAS; and

(c) payments made for expenditures for civil works, goods and services supplied under a contract which any Donor, other than the Association, or NGO shall have financed or shall have agreed to finance.

4. It is understood that the percentages of expenditures to be financed under Category (2) of the table set forth in paragraph 1 of this Schedule have been

calculated on the basis of the provisions in the law No. 97-008 of January 21, 1997, Ordonnance No 80-323 of December 10, 1980, of the laws of the Borrower, which provides for a credit of taxes and customs duties levied in the territory of the Borrower on works, goods and services supplied locally and exempt the goods and works financed out of the proceeds of credits or grants from the international community customs. If any change is made to said law Ordonnance which has the effect of levying taxes or customs duties on such works, goods and services, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

5. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures made for: (a) civil works and goods not exceeding \$100,000 equivalent, (b) for consulting firms under contracts not exceeding \$100,000 equivalent and for individual consultants' services under contracts not exceeding \$50,000 equivalent; 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 in improving the health of its population, through implementation of Subprograms under the Program to provide accessible and affordable quality health services, and strengthening of the administration of the health Sector, in coordination with Donors, NGOs and the private sector.

Subject to such modifications as the Borrower and the Association may agree upon from time to time to achieve the Projects' objective, the Project consists of the following Parts, carried out within Subprograms through:

- (i) civil works for Part A.1;
- (ii) consultant's services and training for selected staff of MSAS for Parts A.1, A.2, B.1, D.1, D.3 and D.4; for selected staff of the Districts for Parts B, C and D, and health care providers for Parts B.3, C.1 and C.3;
- (iii) the acquisition of goods for Parts A.1, A.2, B.1, B.2, C.1 and C.3; and
- (iv) the acquisition of vaccines and contraceptives for Parts A.1, B.2, B.3 and C.

Part A:: Improving access to, and the quality of, health services, through:

1. Upgrading and expanding primary health facilities and strengthening secondary and tertiary health service delivery to support primary health care. , through the carrying out of civil works, provision of technical advisory services and training, and acquisition of drugs and equipment.
2. Provision of adequate maintenance and repair services.

Part B: Increasing financial resources for the Sector and improving Sector performance through:

1. (a) strengthening administrative management capacity of MSAS and the Districts to plan, prepare, manage, supervise and coordinate monitor the implementation of: (i) the POAS, and (ii) national norms and standards to be applied in the provision of health services., through the provision of technical advisory services and training for selected staff in MSAS and the acquisition of equipment;
- (b) strengthening the human resource management capacity in MSAS through the provision of technical advisory services and training for selected staff in MSAS; and
2. Strengthening Beneficiary's participation in health service delivery decisions and cost recovery.

3. Strengthening the provision of traditional health services and private sector investment in the Sector.

Part C: Reducing the effects of major public health problems through:

Improving individual health care through:

1. Reducing maternal, infant and child mortality in the territory of the Borrower, through the provision of technical advisory services and training for selected health care providers and the acquisition of drugs, contraceptives, and medical equipment for the use of health care providers in the Districts.

2. Improving the nutritional health status awareness of the population in the territory of the Borrower.

3. Reducing morbidity, and the severity of infectious and non-communicable diseases, through the provision of technical advisory services and training to health care providers, and the acquisition of drugs, vaccines, and equipment.

Part D: Strengthening social activities and developing an environment fostering health through:

1. Planning and implementing a social action policy, and strengthening DAS and the entities furnishing social services in the Districts.

2. Carrying out of a health and demographic survey in the territory of the Borrower.

3. Carrying out of a population census.

4. Strengthening the information system in the Sector and the Borrower's health education capacities. Improving the delivery of social services to the population in the territory of the Borrower, through the provision of technical advisory services and training to selected staff in MSAS and selected administrative entities.

* * *

The Project is expected to be completed by December 31, 2002.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with 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 and September 1997 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods and works shall be grouped in bid packages estimated to cost \$100,000 and \$300,000 equivalent or more each respectively.

(b) Preference for Domestically Manufactured Goods and Domestic Contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. Limited International Bidding

Goods (drugs, vaccines and contraceptives) estimated to cost less more than \$100,000 equivalent per contract up to an aggregate amount of \$200,000 \$1,000,000 may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

(a) Goods estimated to cost less than \$100,000 equivalent per contract up to an aggregate amount of \$220,000 may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$300,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. International Shopping

Goods estimated to cost less than \$20,000 equivalent per contract up to an aggregate amount of \$70,000, may 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.

4. National Shopping

Goods estimated to cost less than \$20,000 equivalent per contract up to an aggregate amount of \$90,000 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.

5. Procurement from UN Agencies

Vaccines, drugs and supplies costing less than \$100,000 per contract and equivalent to \$100,000 or less on the aggregate, may be procured from UNIPAC or WHO, and contraceptives may be procured from UNFPA, in accordance with the provisions of paragraph 3.9 of the Guidelines.

6. Direct Contracting

Goods which are of a proprietary nature, spare parts and drugs costing less than \$5,000 equivalent per contract and \$50,000 or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

7. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an amount not to exceed \$650,000 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, were 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.

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 each Subprogram 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

With respect to each contract for goods and works estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 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 the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for small contracts estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of consultant's qualifications in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Least Cost Selection

Services for audits and civil works, design and supervision estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of least cost selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Single Source Selection

Services for civil works contract management for the health and demographic survey, referred to in Part D.2 of the Project, to be carried out through ONS, and for the population census referred to in Part D.3 of the Project, to be carried out through UNFPA, may be procured, with the Association's prior agreement, in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultants' Guidelines.

4. Individual Consultants

Services for tasks meeting the requirements of Section V of the consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

5. Service Delivery Contracts

Services to be provided by medical personnel referred to under paragraph C. 1. and 3. of Schedule 2 to this Agreement shall be procured in accordance with procedures acceptable to the Association.

Part D: 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 each Subprogram 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, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraphs 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more and each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraphs 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

3. Post Review

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

SCHEDULE 4

Implementation Plan

1. The Borrower shall implement the Program through MSAS, which will oversee Sector policy reform, coordinate Sector activities and Program funding with other administrative entities, Donors, and NGOs and Beneficiaries, in accordance with procedures set forth in PIM and, except as the Association shall otherwise agree, the Borrower shall not amend or waive any provision of said PIM if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Program.

2. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with monitoring and performance indicators agreed upon between the Borrower and the Association, the carrying out of the Program and the Subprograms; and

(b) furnish to the Association, for its review and comments:

(i) not later than January October 31 of each year, commencing on January October 31, 1999, or such later date as the Association may agree, until the completion of the Project, the draft Budget

for the next Fiscal Year it intends to submit to its Parliament;

(ii) not later than October 31 of each year, commencing on October 31, 1998, or such later date as the Association may agree, until the completion of the Project, an annual report setting forth, inter alia: (A) a summary of the result of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, and (B) progress achieved in the carrying out of the Program, and (C) activities recommended to ensure the efficient carrying out of the Program and the achievement of the objectives thereof during the following Fiscal Year; and

(iii) not later than October 31 of each year, commencing on October 31, 1998, or such later date as the Association may agree, until the completion of the Project, the following documentation pertaining to the next FY: (A) a draft POAS, (B) an updated version of the PTHG, taking including the POAS for the first year of the respective three year period of said PTHG into consideration, (C) the draft Budget, (D) the draft PRCI and (E) proposals for the Subprogram consistent with the respective POAS; and

(c) furnish to the Association for its review and approval, not later than November 31 of each year, commencing November 30, 1998, or such later date as the Association may agree, until the completion of the Project, proposals for the Subprogram consistent with the respective POAS, and the draft PRCI for the following FY.

3. (a) By November 30 of each year, commencing October 31, in November 1998 or such later date as the Association may agree, until the completion of the Project, the Borrower and the Association shall carry out an annual review joint annual review of the Project (hereinafter referred to as the Annual Review); such Annual Review shall cover the progress achieved in the execution of the Project and the Program, and, inter alia: (i) review the information furnished in accordance with paragraph 2 (b) of this Schedule, and (ii) approve the POAS, the Subprogram and the PRCI to be carried out during the following FY.

(b) Following such Annual Review the Borrower shall carry out, or cause to be carried out, such POAS, PRCI and Subprogram in accordance with modalities and procedures approved by the Association and in accordance with the PIM, and not make any material change to the approved Subprogram without the prior approval of the Association.

4. (a) Not later than 36 months after the Effective Date or such other date as the Borrower and the Association shall agree upon, the Borrower and the Association shall carry out a mid-term review (hereinafter referred to as the Mid-Term Review). [The Borrower shall take all action in its part considers necessary to ensure the participation of Donors, NGOs, representatives of the Districts, and Beneficiaries private health sector operators in such Mid-Term Review.] Such Mid-Term Review shall cover the progress achieved in the implementation of the Project and the Program.

(b) Not later than one month prior to the Mid-Term Review, the Borrower shall furnish to [the Donors and] including the Association, for their review and comments, a report, in such detail as the Association shall reasonably request, on the implementation of the Project and the Program.

(c) Following such Mid-Term Review, the Borrower shall act promptly and diligently in order to take any corrective action deemed necessary by the Donors or the Association to remedy any shortcoming noted in the implementation of the Project and the Program, as the case may be, or to implement such other measures as may have been agreed upon between the Borrower and the Association in furtherance of the objectives of the Project and the Program.

5. The Borrower shall ensure that:

(a) District health management teams are established in each District with the responsibility to the District to: (i) provide ensure that health services at

community level are consistent with the Program; PIM, (ii) prepare annual plans and annual budgets for their respective Districts with the participation of Beneficiaries; and (iii) furnish said plans and budgets to MSAS, to enable their consideration ensure the incorporation of said plans and said budgets in PTHG and POAS;

(b) DRASS regional health teams provide supervision and logistical support to the Districts and organize referral care;

(c) providers of traditional health medical care, NGOs and the private sector participate in the provision of preventive and curative health care services; and

(d) Beneficiary cost recovery sharing programs, satisfactory to the Association, are developed and implemented.

6. The Borrower shall:

(a) appoint, and one accountant at DAAF, in accordance with the provisions of Section II of Schedule 3 to this Agreement, a senior accountant, and an accountant and a procurement officer at DGI, in charge of, respectively, for the maintenance maintaining of records and accounts to reflect resources and expenditures in respect of the Project and the preparation and monitoring of procurement activities, and appoint, and one accountant at DAAF, in accordance with the provisions of Section II of Schedule 3 to this Agreement, one accountant at DAAF in charge of the maintenance maintaining of records and accounts to reflect resources and expenditures in respect of the Project;

(b) install, or cause to be installed at DGI and DAAF, a computerized accounting system for the Project and the Program, acceptable to the Association; and

(c) at all times maintain said accounting system in accordance with sound accounting practices and ensure that the accounting positions referred to in paragraph (a) of this paragraph 6 are kept filled at all times, until the completion of the Project, by suitably qualified and experienced personnel, acceptable to the Association.

7. The Borrower shall: appoint and maintain, until the completion of the Project, suitably qualified and experienced staff, to the satisfaction of the Association, in all positions set forth in the PRCI approved in the respective Annual Review.

8. (a) Not later than October 31, 1998, the Borrower shall carry out, or cause to be carried out, in accordance with terms of reference acceptable to the Association, the study referred to in C. 1. (a) of Schedule 2 to this Agreement, furnish the completed study to the Association for its review and comment, and, on the basis of such comments, prepare, for discussion at the following Annual Review, recommendations how to proceed;

(b) appoint the director of the "Direction de la Planification, de la Coopération et de la Statistique" in MSAS, the directors of DAAF and DGI, with qualifications and experience satisfactory to the Association and maintain, until the completion of the Project, qualified and experienced personnel, satisfactory to the Association, in said positions; and

(c) ensure the implementation of PRCI satisfactory to the Association.

8. (a) Not later than October 31, 1999, the Borrower shall prepare or cause to be prepared a strategy for the maintenance and repair of equipment and infrastructure of the Sector, and shall ensure the carrying out of such strategy through its own services and those of the private sector;

(b) not later than December 31, 2000, the Borrower shall carry out through UNFPA, in accordance with terms of contract acceptable to the Association, the census referred to in Part D. 3 of Schedule 2 to this Agreement, and furnish the results of said census to the Association for information;

(c) not later than October 31, 2001, the Borrower shall carry out, through ONS, in accordance with terms of reference acceptable to the Association, the survey referred to in Part D. 2 of Schedule 2 to this Agreement and shall furnish to the

Association the completed survey, for its review and comments and, on the basis of such comments, prepare, for discussion at the next annual review referred to in Paragraph 3 of this Schedule, its recommendations on how to proceed; and

(d) not later than June 30, 2002, the Borrower shall conduct or cause to be conducted, under terms of reference satisfactory to the Association, an evaluation of the impact of the Program on the delivery of health services and the health status of the population and shall furnish the report of said evaluation to the Association, for its review and comments.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) 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 of \$ 1,300,000 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 of \$ 650,000 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 SDR 2,500,000.

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.

