

CONFORMED COPY

CREDIT NUMBER 2574 GUI

Development Credit Agreement

(Health and Nutrition Sector Project)

between

REPUBLIC OF GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 28, 1994

CREDIT NUMBER 2574 GUI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 28, 1994, between the REPUBLIC OF GUINEA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Association has received a letter from the Borrower regarding the Borrower's policy for the health sector, dated May 18, 1993 (hereinafter referred to as the Program); and declaring the Borrower's commitment to the execution of the Program;

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

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) "Action Plan" means the detailed implementation plan for the Project, dated May 21, 1993, or any amendment thereof made in accordance with the provisions of Section 3.07 of this Agreement;

(b) "Financing Plan" means the financing plan referred to in Section 6.01 (d) of this Agreement;

(c) "Central Organization Legislation" means any of the Borrower's legislation in force at the Effective Date (including laws, decrees and ministerial orders) detailing MSPAS' (as hereinafter defined) organizational structure, including its directorates, sectoral and intersectoral committees with representation from other ministries;

(d) "Decentralized Organization Legislation" means the Borrower's legislation in force at the Effective Date (including laws, decrees and ministerial orders) detailing the decentralized organization structure of the health sector, including the regional and prefectural administrations as well as hospitals and health centers, and detailing also the cost sharing systems;

(e) "Essential Actions" means the actions identified as such in the Action Plan;

(f) "Health Facilities" means the approximately 20 health centers, two improved health centers and four prefectural hospitals in the prefectures of Mali, Kouba, Telimele, Dubreka, Kindia, Mamou and Coyah that will be rehabilitated, constructed and maintained under Part A.1 of the Project;

(g) "MSPAS" means the Borrower's Ministry responsible for health;

(h) "Phase 1" means the period of 24 months following the Effective Date, or any other period from such date as agreed between the Borrower and the Association during which investments and other activities identified in the Action Plan are carried out;

(i) "Phase 2" means the period of 24 months following the completion of Phase 1, or any other period from such completion date as agreed between the Borrower and the Association during which investments and other activities identified in the Action Plan are carried out;

(j) "Phase 3" means the period of 24 months following the completion of Phase 2, or any other period from such completion date as agreed between the Borrower and the Association during which investments and other activities identified in the Action Plan are carried out;

(k) "Sector Reorganization Program" means the program for institutional reform, organization of MSPAS and strengthening of health sector management as set out in the MSPAS document: "Projet Sant et Nutrition: Requ te de Financement, Janvier 1993";

(l) "Staffing and Redeployment Plan" means the Borrower's staffing and redeployment plan as prepared under the Development Credit Agreement (Health Services Development Project), Credit No. 1837 GUI, dated November 16, 1987, between the Borrower and the Association, including the implementation timetable agreed between the Borrower and the Association on May 21, 1993;

(m) "Project Preparation Advance" means the project preparation advances granted by the Association to the Borrower pursuant to letters, dated December 18, 1991 and July 20, 1993; and

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

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to seventeen million four hundred thousand Special Drawing Rights (SDR 17,400,000).

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, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank in Guinea 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 4 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, 2001, 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 June 15 and December 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 June 15 and December 15 commencing June 15, 2004 and ending December 15, 2033. Each installment to and including the installment payable on December 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 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. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MSPAS with due diligence and efficiency, and in conformity with the Action Plan as well as appropriate financial, administrative and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Without limitation on its obligations under

Section 3.01 of this Agreement, the Borrower shall: (i) provide in its budget amounts sufficient to cover its counterpart contributions to the costs of the Project; (ii) open not later than 12 months following the Effective Date and maintain until the completion of the Project, an account (the Project Account) in a commercial bank in Guinea; (iii) deposit into the Project Account, not later than 12 months following the Effective Date, an initial amount equivalent to \$258,000 (the Initial Deposit); (iv) thereafter at annual intervals following the deposit of the Initial Deposit, deposit in the Project Account an amount to cover the Borrower's counterpart contributions, equivalent to \$290,000 for the first period of 12 months of Phase 2, \$400,000 for the second period of 12 months of Phase 2, \$440,000 for the first period of 12 months

of Phase 3, and \$485,000 for the second period of 12 months of Phase 3. These counterpart contributions may be revised in the context of an amendment of the Action Plan in accordance with this Agreement. Any such revision is subject to the Association's prior approval; and (v) ensure that the amounts deposited in the Project Account will be used exclusively for the Borrower's counterpart expenditures under the Project.

Section 3.03. 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 3.04. Without limitation on its obligations under Section 3.01 of this Agreement, the Borrower shall: (a) beginning September 30, 1993 and, thereafter, not later than September 30 of each year, review with the Association the execution of the health sector's non-salary recurrent budget for the ongoing fiscal year as well as an assessment of resource requirements for the following year; and (b) on the basis of such review, each year include in its annual recurrent budget for the following fiscal year appropriate amounts, acceptable to the Association, to cover non-salary recurrent costs for the health sector for that year consistent with the Financing Plan and the Sector Reorganization Program, which shall not be less than 2.3 billion Guinean Francs for Fiscal Year 1994, 3.4 billion Guinean Francs for Fiscal Year 1995 and 4.5 billion Guinean Francs for Fiscal Year 1996.

Section 3.05. Without limitation on its obligations under Section 3.01 of this Agreement, the Borrower shall, beginning September 30, 1994 and, thereafter, not later than September 30 of each year, review and agree with the Association, the Borrower's three-year rolling investment program for the health sector in the context of overall resource availability for the sector. Annual investments in the health sector that are not included in the aforementioned investment program and exceed a cumulative amount equivalent of \$1,000,000 are subject to the Association's prior approval.

Section 3.06. (a) The Project shall be implemented and managed by MSPAS supported by its various technical units and decentralized structures. The general coordination of the Project shall be the responsibility of a Project coordinator under the tutelage of the MSPAS' General Secretariat. The Project coordinator shall at all times be acceptable to the Association.

(b) Review meetings chaired by the MSPAS Secretary General with the participation of the various project entities shall be held at the end of each calendar quarter.

(c) At six-month intervals following the Effective Date, a progress reports will be prepared by the Project coordinator in a format approved by the Association. The progress report shall be submitted to the Association within 6 weeks of the end of each interval.

Section 3.07. The Borrower and the Association shall conduct a review of the relevance, performance, efficiency and impact of the Project in relation to its stated objectives at the end of each Phase. This review will include an assessment of any changes required to improve Project execution. In addition, the review will assess progress made on the implementation of the Action Plan and can result in a recommendation to amend that plan. Except as the Association shall otherwise agree, the Borrower shall not amend the Action Plan or any provision thereof.

Section 3.08. (a) The Borrower and the Association shall carry out a mid-term review of the Project in the 4th year following the Effective Date. Sixty days prior to such review, the Borrower shall prepare all necessary documentation for the evaluation of the Project. The terms of reference of this review shall be acceptable to the Association and shall include an assessment of: (i) progress

made in achieving overall Project objectives; (ii) MSPAS' functioning; (iii) implementation of cost sharing systems and their impact on health services' quality and utilization; (iv) implementation of training activities and the performance of staff trained; (v) implementation of the priority programs; and (vi) Project management. In addition, as part of the review, the Borrower shall prepare a program of action, satisfactory to the Association, to deal with deficiencies in Project implementation identified during the review. Finally, the Borrower and the Association shall, during the mid-term review, agree on minimum annual budgetary allocations to cover non-salary recurrent costs for the health sector for the remainder of the Project.

(b) Promptly after the review mentioned in paragraph (a) above, the Borrower shall take, or shall cause to be taken, all necessary action required for the implementation of the program of action referred to in paragraph (a) above.

#### 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 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:

- (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 fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and

- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### 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) The Central Organization Legislation, the Decentralized Organization Legislation and/or the Staffing and Redeployment Plan shall have been amended, suspended, abrogated, repealed, or waived so as to materially and adversely affect the implementation of the Project;

(b) An extraordinary situation has arisen which makes it improbable that the Program, or a significant part thereof, will be carried out; and

(c) The execution of the Borrower's recurrent budget for the health sector for any year during the implementation of the Project, deviates from the original budgetary allocation for that year as established in accordance with Section 3.04 of this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified: any event specified in paragraphs (a) through (c) of Section 5.01 of this Agreement shall occur.

#### 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 selected, to the Association's satisfaction, the Health Facilities referred to in Part A.1 of Schedule 2 to this Agreement, and has determined which of those Health Facilities will be supplied with essential drugs in accordance with Part A.2 (a) of Schedule 2 to this Agreement.

(b) The consultancy contracts have been signed for the studies and monitoring services that are required for the design and implementation of the works to be executed on, and equipment to be supplied to the Health Facilities during Phase 1 in accordance with the Action Plan.

(c) Contracts have been signed for the supply of drugs adequate to meet the requirements of the Project for the first year of its implementation.

(d) The Borrower has continued implementation of the Staffing and Redeployment Plan in accordance with the timetable of such Plan, has redeployed a minimum of 150 staff to the health centers in the prefectorates, and has submitted to the Association the updated staff redeployment numbers.

(e) The financing study for the health sector has been completed; a medium term financing plan (1994-1998) for the health sector (also referred to as the "Financing Plan") based on the delivery of the minimum package of health services as defined in the Staffing and Redeployment Plan, and acceptable to the Association,

has been adopted by the Borrower and the Borrower has agreed to a budgetary allocation acceptable to the Association of no less than 2.3 billion Guinean Francs to cover health sector non-salary recurrent expenditures for the fiscal year 1994.

(f) A computerized accounting and financial management system acceptable to the Association has been installed under the tutelage of the MSPAS' division for administrative and financial management and is fully operational, and adequate staff has been assigned and trained for the operation of the system.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. The Minister responsible for finance of the Borrower 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:

Ministry of Planning and Finance  
B.P. 579  
Conakry  
Republic of Guinea

Telex:

22399 MIFI GE

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.

REPUBLIC OF GUINEA

By /s/ Aboubacar Barry  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION



By /s/ Francis Colaco  
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) Works	6,000,000	100%
(2) Equipment and furniture for Health Facilities	1,060,000	100%
(3) Other equipment and furniture, materials and vehicles	2,120,000	100%
(4) Drugs, iodized capsules and vaccines	1,410,000	100%
(5) Consultants' services	2,120,000	100%
(6) Training	1,060,000	100%
(7) Operating Costs	1,410,000	100% for the 12 months following the Effective Date; 50% thereafter
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(8) Refunding of Project Preparation Advance	500,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(9) Unallocated	1,720,000	
TOTAL	<u>17,400,000</u> =====	

2. For the purposes of this Schedule, the term "Operating Costs" means incremental Project related expenditures incurred by MSPAS and the Health Facilities for supplies, operation and maintenance of equipment and vehicles, maintenance of buildings, per diem for mission and local training, and domestic travel of staff of MSPAS and Health Facilities.

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

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

(b) "works" (Category 1) to be executed and "equipment and

furniture for Health Facilities" (Category 2) to be procured during Phase 2 or Phase 3 in accordance with the Action Plan, unless all Essential Actions for the immediately preceding Phase have been completed to the Association's satisfaction; and

(c) "training" (Category 6) to be procured during Phase 2 or Phase 3 in accordance with the Action Plan, unless all domestic training activities that are Essential Actions for the immediately preceding Phase have been completed to the Association's satisfaction.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to increase quality and access to low cost basic health services in targeted communities through (i) the expansion of service coverage and quality improvement of health, nutrition and family planning services, and (ii) the strengthening of sector organization and management as well as resource mobilization.

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: Expansion of Service Coverage and Improvement of Service Quality

1. Rehabilitation, construction and maintenance of approximately 20 health centers, two improved health centers and four prefectural hospitals, in the prefectures of Mali, Kouba and Mamou in Middle Guinea, and the prefectures of Timbalé, Dubréka, Coyah and Kindia in Lower Guinea (also jointly referred to as "the Health Facilities").

2. (a) Phased supply of a two-year stock of essential drugs to selected Health Facilities.

(b) Strengthening of drug management procedures for the Health Facilities and training of the staff of these facilities in drug prescription practices.

3. Strengthening of the following technical programs at the Health Facilities:

#### (a) Maternal and Child Health and Family Planning

Including pre- and post-natal care, management and referral of high risk pregnancies, vaccinations, basic curative services, family planning services (including its integration into the normal delivery system), child nutrition and studies in the area of family planning practice.

#### (b) Nutrition

Including the provision of micronutrient supplementation to women and children (for the first two years of the Project only), the monitoring of nutritional problems, the sensitization of communities with respect to nutritional problems and the integration of nutrition activities into the normal delivery system.

#### (c) Communicable Disease Control

Including patient diagnosis and treatment, the testing of mosquito nets impregnated with insecticides, the training of staff in patient management, the integration of communicable disease control activities into the normal delivery system and the development and implementation of an epidemiological surveillance system.

#### (d) Health and Community Education

Including studies on health behavior, beneficiary assessments, the training of health committees and communities on their role and responsibilities with respect to sensitization and social mobilization, the development and dissemination of messages to communities focusing on nutrition, family planning, maternal and child health problems, sexually transmitted diseases, AIDS prevention and other communicable diseases.

4. Vaccination services under the Maternal and Child Health program and micronutrient supplementation under the Nutrition program referred to in the previous paragraph will also be carried out through health centers in the prefectures of Lab , Pita, Dalaba, Tougu and L louma, supported by the Health Services Development Project referred to in Section 1.02 (1) of this Agreement.

Part B: Strengthening of Sector Organization and Management

1. MSPAS organization and sector coordination:

(a) Central organization and Coordination

Support for the implementation of the Borrower's MSPAS restructuring program as set out in the Sector Reorganization Program, including the light rehabilitation of the central services building of MSPAS; the preparation of divisional mandates, individual job descriptions, and a procedural manual; training and support for sector coordination activities.

(b) Decentralization

Support for the implementation of the Borrower's program to decentralize health sector management to the regions, prefectures and health centers and hospitals as set out in the Sector Reorganization Program, including staff training, the development of regional and prefectoral teams and the rehabilitation of approximately 18 prefectoral directorates for health and social affairs, in Labe, Tougue, Lelouma, Pita, Dalaba, Koubia, Mali, Telimele, Dubreka, Kindia, Koundara, Gaoual, Boke, Boffa, Coyah, Fria, Forecariah and Mamou, and one regional health inspectorate in Kindia.

(c) Supervision and monitoring

The introduction of integrated supervision and monitoring systems at the regional and prefectoral level.

2. Improvement of financial, material and human resources management systems:

(a) Implementation of administrative and operational instruments and procedures for the management of resources, including accounting, financial and stock management systems at the Health Facilities.

(b) Strengthening of the regional inspectorate of Kindia and the prefectoral directorates mentioned in Part B.1 (b) of this Schedule 2 through the development and introduction of administrative procedures and the establishment of financial and administrative units.

(c) Strengthening of the management committees and the boards of the Health Facilities and of the health facilities supported by the Health Services Development Project referred to in Section 1.02 (1) of this Agreement in the prefectures of Labe, Pita, Dalaba, Tougue and Lelouma.

(d) Strengthening of accounting, budgeting, financial management and procedures for financial monitoring at MSPAS.

(e) Implementation of the Borrower's Staffing and Redeployment Plan and support for the implementation of the Borrower's master plan for the training of health staff as prepared

under the Health Services Development Project referred to in Section 1.02 (1) of this Agreement, including curriculum development, improved teaching methods, and the institution of an in-service training program.

3. Mobilization of additional financial resources:

(a) The preparation and implementation of the Financing Plan for the health sector.

(b) The implementation of a cost sharing system for the Health Facilities with a view to recovering approximately 50% of non-salary operating costs at health centers overall and approximately 30% of operating costs at hospitals.

\* \* \*

The Project is expected to be completed by December 31, 2000.  
SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works 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).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award 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.

(b) In the procurement of goods and works 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 works shall be grouped into approximately ten bid packages estimated to cost the equivalent of \$200,000 or more each, and contracts for goods shall be grouped into approximately 20 bid packages estimated to cost the equivalent of \$50,000 or more each.

3. Goods procured in accordance with the provisions of paragraph 1 above shall be exempted from price preshipment inspection by a third party inspection firm.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Republic of Guinea may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures

described in Part A hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Works for the approximately 20 health centers referred to in Part A.1 of Schedule 2 to this Agreement (estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$2,900,000) and works for the approximately 18 prefectural directorates for health and social affairs and the regional health inspectorate referred to in Part B.1 (b) of Schedule 2 to this Agreement (estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$1,300,000 and \$100,000 respectively), 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 furniture, materials and supplies to be procured locally and estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$1,100,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Drugs (excluding iodized capsules) and vaccines for the approximately 20 health centers referred to in Part A.1 of Schedule 2 to this Agreement may be procured through the United Nations Children's Fund in accordance with the said Fund's own procedures, up to an aggregate amount equivalent to \$2,000,000.

Part E: 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 estimated to cost more than the equivalent of \$150,000, 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 4 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 15% 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 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior review or approval by the Association of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$50,000 equivalent each. However, this exception to prior review by the Association shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Association and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

#### SCHEDULE 4

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 through 7 (inclusive) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 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 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 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 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; 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 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.

