

CONFORMED COPY

CREDIT NUMBER 2684 CM

Development Credit Agreement

(Health, Fertility and Nutrition Project)

between

REPUBLIC OF CAMEROON

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 15, 1995

CREDIT NUMBER 2684 CM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 15, 1995, between REPUBLIC OF CAMEROON (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

WHEREAS the Borrower has issued a Statement of Sectorial Health Policy, in December 1992, describing a program of actions, objectives and policies designed to bring about an adjustment in the health sector of the Borrower (the Program) and declaring the Borrower's commitment to the execution of said Program;

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) "MEF" means Ministry of Economy and Finance of the Borrower;
- (b) "NPC" means National Population Commission, an interministerial consultative body under the MEF responsible for population planning and monitoring;
- (c) "MOPH" means Ministry of Public Health of the Borrower;
- (d) "NPP" means National Population Policy of the Borrower dated March 1993;
- (e) "TCC" means the Borrower's Technical Committee for Coordination and Follow-up of Health Sector Projects;
- (f) "FP/IEC" means Family Planning/Information, Education and Communication;
- (g) "Project Preparation Advance" means the project preparation advances granted by the Bank to the Borrower pursuant to the exchange of letters dated March 9, 1991 and March 21, 1991, and the exchange of letters dated June 15, 1992 and June 30, 1992 between the Borrower and the Bank;
- (h) "Special Account" means any of the accounts referred to in Section 2.02 (b) and (c) of this Agreement;
- (i) "Sub-Account" means sub-account or accounts to be opened under MOPH Special Account for the financing out of the proceeds of the Credit under Parts B and C of the Project, as set forth in Section 2.02(c) of this Agreement;
- (j) "FY" or fiscal year means the fiscal year of the Borrower, covering the period July 1 through June 30;
- (k) "CFA Franc" or "CFAF" means Franc de la Communauté Financière en Afrique Centrale, the currency of the Borrower;
- (l) "CRAN" means Centre de la Recherche en Alimentation et Nutrition, a research institution of the Borrower; and
- (m) "Selected Districts" means the health districts of Djoungolo, Cite Verte, Nkoldongo, Biyem Assi, Eseka, Ntui, Deido, New Bell, Bonassama, Cite Palmiers, Logbaba, Moloundou, Yokadouma, Foumban, Malantouen, Mbouda, Kousseri and Makari.

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 twenty-nine million five hundred thousand Special Drawing Rights (SDR 29,500,000).

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 Part A of the Project, open and maintain in CFAF a special deposit account (MEF Special Account) in a commercial bank acceptable to the Association on terms and conditions satisfactory to the Association,

including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the MEF Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) The Borrower may, for the purposes of Parts B and C of the Project, open and maintain in CFAF a special deposit account (MOPH Special Account) in a commercial bank acceptable to the Association on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the MOPH Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement. The Borrower may, for the purposes of carrying out Parts B and C of the Project, open and maintain in CFAF, five Sub-Accounts, on terms and conditions satisfactory to the Association.

(d) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to the Bank the amount required to repay the principal amount of the Project Preparation Advances 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 Advances 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 February 15 and August 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 semiannual installments payable on each February 15 and August 15 commencing August 15, 2005 and ending February 15, 2035. Each installment to, and including the installment payable on February 15, 2015, 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. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out Part A of the Project through MEF and Parts B and C of the Project through MOPH with due diligence and efficiency and in conformity with appropriate health, fertility and nutrition 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 Program set forth in Schedule 4 to this Agreement.

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

Section 3.03. The Borrower shall, no later than December 31, 1995, prepare and submit to the Association, for review and comment, a national program for the expansion of family planning services over the 1996-1999 period. The Borrower shall implement the said national program, in conformity with the objectives of the Project.

Section 3.04. The Borrower shall, no later than June 30, 1996, prepare and submit to the Association, for review and comment, a plan of action to develop sectoral strategies for the implementation of the NPP. The Borrower shall implement the said national program, in conformity with the objectives of the Project.

Section 3.05. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare 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, of such scope and in such detail as the Association shall reasonably request, for the future operation of the Project;

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

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

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 Accounts and Sub-Accounts 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 Accounts or Sub-Accounts 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 event is specified namely that a situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

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 prepared and finalized the standard bidding documents in form, substance and format acceptable to the Association, including all bid documents

for the procurement of civil works and goods for the first year of the Project;

(b) the Borrower has appointed the key project management staff including, inter alia, the Project Coordinator, six financial officers and six procurement specialists, in conformity with the provisions of paragraph 6 (g) of Schedule 4 to this Agreement;

(c) the Borrower has entered into a contract with an auditing firm under the terms and conditions satisfactory to the Association; and

(d) the Borrower has entered into a contract with a consulting firm under the terms and conditions satisfactory to the Association, for the preparation of training programs, monitoring of such programs and evaluation of training activities, for the first two years of the Project.

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 of Economy and 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 Economy and Finance
Yaounde
Republic of Cameroon

Cable address:

MINEFI
Yaounde

Telex:

8260

With copy to:

Caisse Autonome d'Amortissement
Yaounde
Republic of Cameroon

Telex:

8858 KN

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (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 CAMEROON

By /s/ Jerome Mendouga

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Stephen Denning

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:		100% of foreign expenditures and 85% of local expenditures
(a) Part A of the Project	70,000	
(b) Parts B and C of the Project	11,370,000	
(2) Equipment, Furniture, Materials and Vehicles:		100% of foreign expenditures and 85% of local expenditures
(a) Part A of the Project	270,000	
(b) Parts B and C of the Project	4,870,000	
(3) (a) Drugs (for Part C.4 of the Project), Contraceptives and Vaccines	1,780,000	100%
(b) Drugs (For	690,000	100%

Part C.1 of the Project)		
(4) Consultants' Services	960,000	100%
(5) Training, Workshops, and Studies:		100%
(a) Part A of the Project	680,000	
(b) Parts B and C of the Project	2,540,000	
(6) Operating Costs:		100% of foreign expenditures and 95% of local expenditures
(a) Part A of the Project	410,000	
(b) Parts B and C of the Project	1,990,000	
(7) Operations and Maintenance of buildings, vehicles and equipment:		95%
(a) Part A of the Project	140,000	
(b) Parts B and C of the Project	1,230,000	
(8) Refunding of Project Preparation Advance	410,000	Amounts due pursuant to Section 2.02 (d) of this Agreement
(9) Unallocated	2,090,000	
TOTAL	29,500,000	

2. For the purposes of this Schedule:

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

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which the goods and services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

(c) the term "operating costs" means expenditures related to mission travel and subsistence allowances for local and expatriate staff involved in the Project, fuel, and office supplies.

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; and

(b) Category (3) (b), unless the Borrower has (i) finalized a national pharmaceutical policy and has taken all necessary administrative and regulatory measures for the establishment of a central drug supply store, and (ii) proposed measures, satisfactory to the Association, for ensuring the quality of imported generic drugs.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods, works and 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 objectives of the Project are to: (a) provide institutional support for the implementation of the national population policy and of a national FP/IEC strategy; (b) promote complementary organizational and administrative reforms needed to strengthen the management of health sector resources and advance the decentralization of health services; and (c) expand and improve the quality of primary health care coverage to under-served low-income populations.

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: Implementation of the NPP and FP/IEC Strategy

1. Provision of institutional support to NPC in the continuation of national consensus building on the need for and the benefits of family planning and child spacing, in the collection and dissemination of information necessary to develop population programs, and in the development of sectoral programs to implement the NPP.
2. Improvement of demographic data collection and dissemination and promotion of the NPP through training and awareness seminars, sensitization campaigns, seminars and workshops, fertility surveys, and organization of periodic regional studies.
3. Establishment of a national information center on population and development at Yaounde and strengthening of said center through the provision of books, equipment and operating costs.

Part B: Organizational and Administrative Reforms in the Health Sector and Decentralization of Health Services

1. Strengthening of MOPH's health services and management structures, through the introduction and improvement of management tools and decentralization of health service delivery, including provision of office equipment, training and rehabilitation and upgrading of services in selected MOPH central, provincial and district offices.
2. Development of a Health Management Information System (HMIS) including support to the services of MOPH in charge of statistics in the designing, production and use of statistical forms, on-the-job training and periodic supervision of health statistics staff.

Part C: Expansion of Primary Health Care and Family Planning Services

1. Improvement of maternal and child health and family planning services including: (i) strengthening of obstetrical and pediatric services, immunization strategy and basic family planning services; (ii) reorganization and standardization of MCH/FP in the integrated health centers and about 18 district hospitals; and (iii) carrying out of operational research.

2. Rehabilitation/reconstruction and equipping of the integrated health centers and hospitals in the Selected Districts referred to in Section 1.02 (m) of this Agreement.

3. Training of health personnel including the rehabilitation and equipping of training sites in the districts of Marois, Ayos and Douala.

4. Provision of essential generic drugs, vaccines and contraceptives to the public and private non-profit health facilities.

5. Strengthening of MOPH organs and activities related to the health education and expansion of communication programs through IEC.

6. Strengthening of the nutritional surveillance and intervention activities to remedy micro-nutrient deficiencies, inter alia, through the: (i) establishment of a framework for systematic growth monitoring, clinical examination, and treatment of mothers and children in each of the health districts; (ii) mobilization of village associations in the activities of nutritional education; and (iii) establishment of a system for periodic monitoring and evaluation of impact of such interventions.

* * *

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), and in accordance with the following additional procedures:

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Association's prior review in accordance with the provisions of Part E.1(a) of this Section, the Association's prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days, and (ii) any subsequent extension of the bid validity period.

(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, all contracts for works and goods shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Republic of Cameroon 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.1 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. All contracts for the reconstruction/rehabilitation of integrated health centers and contracts for minor repairs each estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$500,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. All contracts for vehicles, equipment, medical supplies, materials, drugs, contraceptives and vaccines estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$500,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. For the purpose of procurement in accordance with paragraphs 1 and 2 above, the Association shall consider the procedures described in decree No. 86/903 dated July 19, 1986 of the Borrower acceptable, provided that the following is reflected in their application: (i) all bids shall be in public, allowing bidders or their representatives to attend, (ii) precise quantitative and monetary criteria shall be used in bid evaluation, (iii) contracts shall be awarded to the lowest evaluated responsive bidder, and (iv) there shall be no negotiation between bid opening and contract award decision.

4. Items or groups of items estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount equivalent to \$250,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers, in accordance with procedures acceptable to the Association.

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 the equivalent of \$100,000 or more, and the first five contracts procured under contracts awarded on the basis of competitive bidding, advertised locally, 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 Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

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

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

Section II. Employment of Consultants

(a) In order to assist the Borrower in the carrying out of the Project, the Borrower shall employ experts and 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 Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

(b) For the purpose of procurement of consultants' services in accordance with this Section II, the Borrower shall not request any bid security or any other guaranty of similar nature.

SCHEDULE 4

Implementation Program

1. The Project shall be implemented by the relevant departments and technical services of MEF and MOPH. MEF shall provide support to the NPC, organize training for demographers, coordinate other regional population studies and supervise activities of the national information center on issues related to population and development.

2. The TCC shall have the overall responsibility for monitoring PHN sectoral reforms, policies and programs. The TCC shall, inter alia, coordinate implementation of health management information system, proposed improvements in planning medium-term sector investment, and the programmed expansion of health infrastructure and equipment and shall be responsible for implementing budgeting and accounting reforms and coordinating improvements in personnel management.

3. The provincial health authorities shall be responsible for planning and monitoring the establishment of decentralized health districts in their respective provinces with appropriate support from MOPH central directorates. For the purpose of implementing Part C (6) of the Project, MOPH shall enter into an agreement with CRAN, under the terms and conditions satisfactory to the Association.

4. The annual work programs and corresponding budgets shall be prepared by the Project implementing agencies at central, provincial and district levels; these plans and budgets shall be consolidated by the Project Coordinator, approved by TCC or one of its sub-organs and submitted to the Association for review and no-objection at the beginning of each fiscal year.

5. MEF, for Part A of the Project, and MOPH for Parts B and C of the Project, shall independently be responsible for the preparation of the procurement documents for civil works, goods and services.

6. The Borrower shall:

(a) take all necessary measures to increase progressively the share of the health budget in the total government budget to bring to the level of 7% by FY 1996/97, 8% by FY 1998/99, and to 10% by the end of FY 1999/2000 and allocate such increases to non-salary expenditures until the completion of the Project;

(b) carry out a fertility survey every two years and a contraceptive prevalence survey annually starting in 1996, both in accordance with terms of reference acceptable to the Association and furnish the findings of said surveys to the Association for comments;

(c) review with the Association, in June of each year: (i) all health sector investment expenditures made in the previous year and those planned for the next three

years, with particular attention to their recurrent cost implications, and (ii) the expenditures of the non-salary recurrent budget, made in the previous year across existing programs and services;

(d) submit to the Association, no later than April 30 of each year, evidence that the previous year's budget was spent as originally intended, and submit and discuss with the Association, the proposed operating budgets for the subsequent year;

(e) maintain a system, acceptable to the Association, for cost recovery accounting and financial management of the health centers and district clinical facilities;

(f) evaluate annually the technical and management training activities undertaken during the previous year and furnish to the Association for its review and approval by no later than March of each year detailed plans based on that evaluation;

(g) keep TCC secretariat fully staffed at all times, until the completion of the Project, and ensure that all key Project management staff (Project Coordinator, six financial officers and six procurement specialists) are appointed with terms of reference, qualification and experience satisfactory to the Association;

(h) for all scholarships financed under the Project: (i) submit, for approval by the Association, names of the proposed candidates and details of training institutions and course of study, and (ii) take all necessary measures to ensure that successful candidates bind themselves upon completion of their training to serve, for at least three years, in posts for which they were trained;

(i) carry out, each year, a beneficiary assessment based on indicators agreed jointly by the Borrower and the Association; and

(j) take necessary measures to ensure equitable geographical distribution of staff and improved internal management of civil service personnel assigned to MOPH.

7. (a) The Borrower shall, no later than June 30, 1997, carry out jointly with the Association, a comprehensive mid-term review of the progress of the Project. Without limitation upon the generality of the foregoing, the review shall, inter alia, evaluate progress on the achievement of the objectives of the Project, identify additional measures to accomplish the objectives; and adapt an action plan matrix in accordance with the capacity and performance of the various departments and agencies of the Borrower. The review shall essentially focus on the (i) performance of the key public health and nutrition sector management structures, (ii) progress on cost recovery measures and their impact on health care service quality and utilization, (iii) progress in delivering quality primary and referral health services under the decentralized health district system, (iv) progress in implementing the training activities to improve the performance and productivity of staff, and (v) the performance of consultants under the Project.

(b) No later than one month prior to the mid-term review referred to in paragraph (a) above, the Borrower shall furnish to the Association, for its comments, a report in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in the implementation of the Project.

(c) The Borrower shall, promptly after completing such review, carry out those recommendations arising out of said review, as agreed between the Borrower and the Association.

SCHEDULE 5

MEF Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (a), (2) (a), (5) (a), (6) (a) and (7) (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$200,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$100,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of 700,000 Special Drawing Rights.

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;

(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, 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.

SCHEDULE 6

MOPH Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (b), (2) (b), (3), (4), (5) (b), (6) (b) and (7) (b) 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 \$1,200,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$600,000 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 3,500,000 Special Drawing Rights.

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 or out of the Sub-Accounts, 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 and the Sub-Accounts;

(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, 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 or the Sub-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 or the Sub-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 or the Sub-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 or the Sub-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.

