

CONFORMED COPY

CREDIT NUMBER 2827 SL

Development Credit Agreement

(Integrated Health Sector Investment Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 21, 1996

CREDIT NUMBER 2827 SL

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 21, 1996, between REPUBLIC OF SIERRA LEONE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received a letter from the Borrower dated February 5, 1996 (the Policy Letter), describing a program of actions, objectives and policies designed to reform its health sector (the Program), and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower intends to obtain a loan from the African Development Bank (AfDB) in an approximate principal amount equivalent to \$15,000,000 (the AfDB Loan) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the AfDB Loan Agreement) to be entered into between the Borrower and AfDB;

(D) the Borrower intends to obtain a grant from the European Union (EU) in an approximate principal amount equivalent to \$4,000,000 (the EU Grant) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the EU Grant Agreement) to be entered into between the Borrower and EU;

(E) the Borrower intends to obtain a loan from the Saudi Fund for Development

(the Saudi Fund) in an approximate principal amount equivalent to \$16,000,000 (the Saudi Fund Loan) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the Saudi Fund Loan Agreement) to be entered into between the Borrower and the Saudi Fund;

(F) the Borrower intends to obtain a grant from the United Nations Development Program (the UNDP) in an approximate principal amount equivalent to \$2,000,000 (the UNDP Grant) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the UNDP Grant Agreement) to be entered into between the Borrower and the UNDP;

(G) the Borrower intends to obtain a grant from the United Nations Children's Fund (the UNICEF) in an approximate principal amount equivalent to \$4,900,000 (the UNICEF Grant) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the UNICEF Grant Agreement) to be entered into between the Borrower and the UNICEF;

(H) the Borrower intends to obtain a grant from the United Nations Fund for Population Activities (the UNFPA) in an approximate principal amount equivalent to \$4,000,000 (the UNFPA Grant) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the UNFPA Grant Agreement) to be entered into between the Borrower and the UNFPA;

(I) the Borrower intends to obtain a grant from the World Health Organization (WHO) in an approximate principal amount equivalent to \$4,000,000 (the WHO Grant) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the WHO Grant Agreement) to be entered into between the Borrower and WHO;

(J) the Borrower intends to obtain financing from other donors satisfactory to the Association in an aggregate principal amount equivalent to \$5,000,000 to assist in financing parts of the Project on the terms and conditions satisfactory to the Association; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications thereto set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) the last sentence of Section 3.02 is deleted; and
- (b) the second sentence of Section 5.01 is modified to read:

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

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) "DOH" means the Department of Health of the Borrower;

(b) "DOH Management Team" means the DOH Management Team established by the Borrower in 1995 and referred to in paragraph 3 (a) (i) of Schedule 4 to this Agreement;

(c) "Donor Relations Office" means the Donor Relations Office established by the Borrower in 1995 and referred to in paragraph 3 (a) (ii) of Schedule 4 to this Agreement;

(d) "Management Support Office" means the Management Support Office established by the Borrower in 1995 and referred to in paragraph 3 (a) (iii) of Schedule 4 to this Agreement;

(e) "Financial Management Team" means the Financial Management Team established by the Borrower in 1995 and referred to in paragraph 3 (a) (iv) of Schedule 4 to this Agreement;

(f) "Procurement Unit" means the Procurement Unit established by the Borrower in 1995 and referred to in paragraph 3 (a) (v) of Schedule 4 to this Agreement;

(g) "PMISU" means the Planning, Monitoring, Information and Statistics Unit established by the Borrower in 1985 and referred to in paragraph 3 (a) (vi) of Schedule 4 to this Agreement;

(h) "District Health Management Teams" means the District Health Management Teams established by the Borrower in 1995 and referred to in paragraph 5 of Schedule 4 to this Agreement;

(i) "NGOs" means Non-Governmental Organizations;

(j) "Project Executing Units" means collectively the DOH Management Team, the Donor Relations Office, the Management Support Office, the Financial Management Team, the Procurement Unit, PMISU, the District Health Management Teams and such other organizational unit or units as the Borrower shall, with the prior agreement of the Association, include for the purposes of the Project.

(k) "National Health Action Plan" means the Borrower's National Health Action Plan adopted by the Borrower in February 1994;

(l) "Operational Manual" means the operational manual adopted by the Borrower in accordance with Section 6.01(d) of this Agreement, and describing, inter alia, the arrangements and procedures for carrying out the Project, with any amendments thereto as may be agreed upon from time to time by the Borrower and the Association;

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

(n) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated September 21, 1995 and November 2, 1995; and

(p) "leone" means currency of the Borrower.

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 thirteen million six hundred thousand Special Drawing Rights (SDR 13,600,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to 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 canceled.

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 canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15, commencing March 15, 2006 and ending September 15, 2035. Each installment to and including the installment payable on March 15, 2016 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 through DOH carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and health sector 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 carry out, not earlier than January 1, 1998 and not later than October 31, 1998, a mid-term review of the progress made in carrying out the Project. The review shall, among other things, assess:

- (i) the progress made in carrying out the various components of the Project, including compliance with financial, audit and other covenants relating to the Project;
- (ii) the performance of consultants;
- (iii) the progress of Project monitoring indicators agreed with the Association; and
- (iv) any corrective measures that need to be taken including changes, if any, in the scope and content of the Project.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain 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) a situation has arisen which shall make it improbable that the actions, objectives and policies stated in the Policy Letter, or a significant part thereof, will be carried out;

(b) (i) Subject to subparagraph (ii) of this paragraph: (A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project (including the ADB Loan, the EU Grant, the Saudi Fund Loan, the UNDP Grant, the UNICEF Grant, the UNFPA Grant and the WHO Grant) shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or (B) any such loan shall have become due and payable prior to the agreed maturity thereof.

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

terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has entered into an agreement for the employment, in accordance with the provisions of Section II of Schedule 3 to this Agreement, of at least 12 man-months' services of: (i) a financial management consulting firm; and (ii) a procurement technical assistance agency;

(b) the Borrower has signed, in accordance with Section II of Schedule 3 to this Agreement, a technical assistance agreement with the Sierra Leone Institute for Public Administration and Management;

(c) the Borrower has furnished to the Association with respect to the Western Region: (i) the training plans to be prepared and carried out under Part C of the Project; and (ii) a recruitment and redeployment plan in form and substance satisfactory to the Association to be used for the Western Region district in which health facilities are to be rehabilitated or constructed in the first year of the Project;

(d) the Borrower has adopted, and furnished to the Association, an operational manual in form and substance satisfactory to the Association;

(e) the Borrower has prepared and furnished to the Association final bidding documents, in form and substance satisfactory to the Association, for the civil works and goods to be procured for the Western Region district in the first 12 months' period after the Effective Date through international competitive bidding procedures referred to in Section I of Schedule 3 to this Agreement;

(f) the Borrower has: (i) signed a contract for (A) the installation in the system of an accounting software for DOH's programs, and (B) the training of DOH's staff in the use of the said system;

(g) the Borrower has issued a letter of invitation satisfactory to the Association for the employment, in accordance with Section II of Schedule 3 to this Agreement, of an independent auditor to audit the expenditures financed from proceeds of the Credit; and

(h) the Borrower has employed suitably qualified and competent persons on terms and conditions satisfactory to the Association as: (i) Director of Management Support in the Management Support Office, (ii) Director of Financial Resources in the Financial Management Team, (iii) Chief Procurement Officer in the Procurement Unit, and (iv) senior officer responsible for monitoring and coordinating donor programs and budgets in the Donor Relations Office.

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

Representative of the Borrower; Addresses

Section 7.01. The Secretary of State for Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

(1)	Civil Works	4,300,000	100% of foreign expenditures and 90% of local expenditures
(2)	Drugs, furniture, equipment, vehicles, supplies and spare parts	3,000,000	100% of foreign expenditures and 90% of local expenditures
(3)	Technical assistance and studies	1,400,000	100%
(4)	Training including training materials	2,000,000	100%
(5)	Incremental operating costs	1,150,000	90% of local expenditures until December 31, 1998 and thereafter 75% of local expenditures
(6)	Refunding of Project Preparation Advance	200,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7)	Unallocated	1,550,000 =====	
	TOTAL	13,600,000 =====	

2. For the purposes of this Schedule:

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

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

(c) the term "incremental operating costs" means the Project-related administrative and running costs of the Project Executing Units, comprising:

- costs of
- (i) salaries for incremental positions, per diem allowances and travel Project staff;
 - (ii) general supplies for offices;
 - (iii) fuel, vehicle and equipment maintenance costs; and
 - (iv) other Project related administrative expenses.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (i) goods and works not exceeding \$100,000 equivalent; and (ii) services of (A) consulting firms not exceeding \$100,000 equivalent, and (B) individual consultants 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 assist the Borrower in: (i) improving the health status of its population; (ii) increasing access to health care and family planning, particularly in the rural areas; (iii) improving the quality of health services delivered under the Program; (iv) strengthening management, accountability and community involvement at central and peripheral levels of the health sector; and (v) increasing efficiency and the financing available in the Borrower's territories for health care.

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: Health Services Package

1. The carrying out of a maternal and child health program designed to reduce maternal and child morbidity through safe motherhood, family planning, school health services, and the follow up of health care provided for infants and under-five year old children, including immunization;

2. The treatment of common ailments in hospitals and clinics available under the Program including: (i) the treatment and referral of basic trauma, malaria, diarrhea, respiratory infections and sexually-transmitted infections; and (ii) the assessment and advice on the alleviation of pain and disability.

3. Control of communicable diseases through services provided at hospitals and clinics by doctors, nurses and other health workers, including the provision of preventive services to reduce morbidity and mortality rates, particularly in infants and under-five year old and children.

4. Improving community access to sanitation and safe water through the construction, with the cooperation of various agencies and NGOs, of latrines, toilets and wells.

5. The carrying out of a nutrition and dietetics program by doctors, nurses and other health workers to reduce childhood malnutrition including: (i) the provision of nutrition education and rehabilitation, (ii) the provision of iodine and other micro-nutrients, and (iii) the training, equipping and assignment of staff to provide counseling, supplements and support services.

6. The development of a nationwide health education program by DOH including community health education, and school health education.

7. (a) The carrying out of a secondary and tertiary health care program to provide referral service for the peripheral health units centered on the district hospitals including: (i) the strengthening of hospital services and mental health care, basic in-patient care, chronic and curative care, and (ii) the treatment of tuberculosis.

(b) Improving of staff performance at the district hospitals through training of staff and the strengthening of supervision and management of the hospitals to ensure the establishment and maintenance of quality standards.

Part B: Support Services

1. The acquisition of drugs and medical supplies including:

- (i) contraceptives, vaccines and supplies for Primary Health Units (PHUs) and secondary and tertiary care hospitals;
- (ii) the establishment of a revitalized procurement, storage and distribution system;
- (iii) improved monitoring and supervision at district level;
- (iv) the appointment of specialized procurement staff; and
- (v) the installation of an efficient cost recovery system.

2. The establishment of a national food, environmental and clinical laboratory service including: (i) the setting up of a national laboratory to monitor and test standards in prescribed drugs, water quality, the environment and food, (ii) the provision of a public health laboratory service and secondary and tertiary clinical care health services, and (iii) laboratory training and provision of safe blood.

3. The carrying out of a rehabilitation work program including: (i) the renovation and re-equipping of health units; (ii) the rehabilitation and equipping of hospitals; (iii) the strengthening of the organization, management and staffing of maintenance and repair units; (iv) the establishment of (A) a central unit in DOH (the Central Facilities Management and Maintenance Unit) to provide services in medical electronics, civil works and transport maintenance, (B) regional maintenance and repair departments based at the larger hospitals, and (C) district maintenance units; and (v) the installation of management information and control systems.

Part C: Institutional Development

1. (a) The establishment of a comprehensive human resource management function in the health sector in form and substance satisfactory to the Association to be concerned with all activities related to the resourcing and development of personnel, and employment relations in the said sector including:

- (i) the preparation of a long-term manpower plan;
- (ii) the development of managerial and technical training plans;
- (iii) the establishment of effective mechanisms for coordinating training and management development; and
- (iv) the establishment of effective employee relations strategies.

(b) The strengthening of the Donor Relations Office's capacity to:

- (i) coordinate the Project-related activities of donors and NGOs; and
- (ii) monitor donor programs and financial contributions to the health sector.

2. The establishment of a district monitoring and evaluation capacity, operational research, and support for district work plans including the collection of epidemiological data and support for community management.

3. The provision of central administrative support services, including: (i) accounting and other financial management services, (ii) procurement management, and (iii) transport administration.

* * *

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: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines), and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall

be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

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

(a) Grouping of contracts.

To the extent practicable, contracts for: (i) goods shall be grouped in bid packages estimated to cost \$250,000 equivalent or more each; and (ii) works shall be grouped in bid packages estimated to cost \$500,000 equivalent or more each.

(b) Preshipment Price Inspection.

Goods shall be exempted from preshipment price inspection by a third party inspection firm.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works for the construction of health centers and rehabilitation of clinics and all other works estimated to cost \$500,000 equivalent or less per contract, up to an aggregate amount not to exceed \$4,500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost \$250,000 equivalent or less per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Community Participation

Minor rehabilitation and repairs works estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured in accordance with procedures acceptable to the Association..

3. International Shopping

(a) Drugs estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$250,000 equivalent may, with the Association's prior agreement, be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Goods (other than drugs) estimated to cost \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$150,000 equivalent may, with the Association's prior agreement, be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. National Shopping:

Goods (other than drugs) estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent may, with the Association's prior agreement, be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement from UN Agencies

Drugs and contraceptives estimated to cost up to an aggregate amount not exceeding \$2,000,000 equivalent, may be procured from UNICEF in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

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

3. Post Review

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

Section II: Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each, or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (i) the terms of reference for such contracts, (ii) single-source selection of consulting firms, (iii) assignments of a critical nature, as reasonably determined by the Association, (iv) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (v) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. (a) The Borrower shall carry out, or cause the Project Executing Units to carry out, the Project in accordance with the Operational Manual.

(b) Except as the Association shall otherwise agree, the Borrower shall not amend, abrogate or waive any provision of the Operational Manual or any provision thereof which, in the opinion of the Association, may materially and adversely affect the carrying out of the Project.

2. The Borrower shall, with respect to the Project, cause DOH to carry out the following functions:

(a) planning;

(b) the monitoring of the performance of health services;

(c) donor coordination for the mobilization, and appropriate use, of resources;

(d) the provision of: (i) technical expertise in public health, and (ii) clinical services including advice to health care providers;

(e) the provision of administrative support including support in the procurement and distribution of goods to be procured under the Project; and

(f) the provision of budgeting, accounting and audit support.

3. (a) The Borrower shall continue to maintain in DOH the following organizational units with organizations, functions and staffing satisfactory to the Association: (i) DOH Management Team; (ii) Donor Relations Office, (iii) Management Support Office, (iv) Financial Management Team, (v) Procurement Unit, and (vi) Planning, Monitoring, Information and Statistics Unit.

(b) The DOH Management Team shall consist of the Secretary of State for Health (who shall head the DOH Management Team), the heads of the other organizational units referred to in sub-paragraph (a) of this paragraph. The DOH Management Team shall be responsible for overall coordination of Project implementation.

(c) The Donor Relations Office shall be responsible for: (i) coordination of donor financing and donor activities, including liaising with the Association on such coordination and activities; and (ii) organizing donor participation in the mid-term review required under Section 3.03 of this Agreement and any annual reviews required under this Agreement.

(d) The Management Support Office shall be responsible for overseeing: (i) the preparation of reports, annual plans, and budgets for DOH, and (ii) the carrying out and monitoring of the technical programs included in the Project.

(e) The Financial Management Team shall be responsible for the preparation of budgets and for accounting and auditing matters.

(f) The Procurement Unit shall be responsible for handling all procurement matters, including the preparation of bidding documents.

(g) The Planning, Monitoring, Information and Statistics Unit shall be responsible for: (i) providing support to district level planning and monitoring, and (ii) the development of the health information system required for monitoring performance and quality improvements in the health services.

4. The heads of the organizational units referred to in paragraph 3 (a) of this Schedule shall have responsibility for:

(i) assessing technical and support programs improvements and the need for research;

(ii) ensuring that national standards and quality services are developed and maintained; and

(iii) coordinating activities of Project participants to ensure the availability to communities of information, technical assistance and physical resources regarding district health services for maternal child health, family planning, communicable diseases (including HIV), other health conditions, good nutrition and environmental health.

5. The Borrower shall no later than May 1, 1996 establish District Health Management Teams in the Western Region district to be responsible for:

(i) planning and supervision of the delivery of health services;

(ii) cooperation with communities in their districts to develop appropriate means and structures for local problem-solving, decision-making, quality assurance and accountability;

(iii) the management of district based services, including the provision

of integrated programs to meet local priorities;

(iv) the preparation of annual health plans and budgets in the light of available resources, local priorities, and national goals and guidelines; and

(v) collaboration with the local governments, DOH and other Project participants and agencies.

6. The Borrower shall each year: (i) cause to be prepared, no later than October 1, one additional district health plan which shall form part of the documentation to be discussed at the annual donors meeting to be held that year; (ii) make budgetary provisions adequate to meet the full costs of preparing and implementing the said plan; and (iii) cause the plan to be implemented in at least one district of the Borrower where no such plan has previously been implemented.

7. The Borrower shall each year:

(a) no later than October 1 furnish to the Association, for its review and comments, an updated 3 year rolling plan and annual work and procurement plans and budget for the next following fiscal year (annual implementation plans), all in form and substance satisfactory to the Association;

(b) no later than November 1:

(i) review jointly with the Association and other donors: (A) the implementation plans; and (B) progress made in meeting the existing performance indicators for the Project which have been agreed by the Borrower and the Association;

(ii) identify any issues arising from Project execution and propose solutions; and required

(iii) revise and update the annual implementations plans, to the satisfaction of the Association, on the basis of such understandings as shall have been reached by the participants in the joint review referred to in (A) above;

(c) no later than December 15 furnish to the Association and other donors the annual implementation plans, as so revised and updated; and

(d) carry out the Project on the basis of the revised annual implementation plans.

8. The Borrower shall, no later than October 1 each year, furnish to the Association, for the Association's review and comments, a report on the progress of the Project in such detail as the Association shall reasonably request, including:

(a) an evaluation of progress achieved in Project execution in accordance with the Program and the annual implementation plan;

(b) progress made in meeting financial targets for the Borrower's expenditures;

(c) progress made in increasing community participation in the Project;

(d) progress made in the development of and carrying out of district health plans;

(e) progress made in the development of quality of health care;

(f) progress made in the training of staff;

(g) progress made in the rehabilitation of health facilities;

(h) progress made in the utilization of health services;

(i) progress made in the development of policies, and the implementation of support services for essential drugs, human resources, maintenance and repair, and health information systems; and

(j) changes in health outcomes.

9. The Borrower shall, no later than December 31, 1999, carry out and complete a national household survey acceptable to the Association on health behaviors, health status and health expenditures.

10. The Borrower shall: (a) no later than December 31, 1997: (i) prepare a health sector financing plan, to identify the public/private mix of resources, in form and substance satisfactory to the Association; and (ii) establish and initiate a process (certificate of need process) in form and substance satisfactory to the Association which would ensure that the DOH Management Team's prior approval is requested for any capital investments which the Borrower proposes to make in the health sector in excess of \$25,000 equivalent; and (b) no later than December 31 in each of its fiscal years 1998 and 2000 cause to be prepared and furnished to the Association a report setting out the benefits derived under the Program by users of health services provided thereunder.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

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

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

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 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 \$500,000 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 one million five hundred thousand Special Drawing Rights (SDR 1,500,000).

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for 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 replenishment is requested. On the payments in respect of which

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.

