

CONFORMED COPY

CREDIT NUMBER 3052 UG

Development Credit Agreement

(Nutrition and Early Childhood Development Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 15, 1998

CREDIT NUMBER 3052 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 15, 1998, between THE REPUBLIC OF UGANDA (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received a letter dated December 11, 1997, from the Borrower describing a program of actions, objectives and policies designed to promote and strengthen nutrition and early childhood development in the Borrower's territories (the Program) and declaring the Borrower's commitment to the execution of the Program; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

(a) The last sentence of Section 3.02 is deleted.

(b) The second sentence of Section 5.01 is modified to read:

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

(c) Section 6.03 is modified to read:

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

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "District" means an administrative subdivision of the Borrower's territory as defined in the Borrower's 1995 Constitution;

(b) "ECD" means early childhood development;

(c) "FY" and "Fiscal Year" mean the Borrower's fiscal year beginning on July 1 and ending on June 30 of the following year;

(d) "First Project Year" means the twelve-month period beginning from the Effective Date and ending twelve months thereafter, and "Project Year" means any twelve-month period beginning at the end of the First Project Year or the subsequent Project Years;

(e) "Memorandum of Understanding" means each of the memoranda of understanding, referred to in Section 3.01 (d) of this Agreement, to be entered into between the Borrower and an NGO (as hereinafter defined), as the same may be amended from time to time, and such term includes any schedules to the Memorandum of Understanding;

(f) "MOPED" means the Borrower's Ministry of Planning and Economic Development;

(g) "NGO" means any one or several non-governmental organization(s) selected in accordance with the provisions of Section 3.01 (b) of this Agreement, to carry out Parts B and C of the Project described in Schedule 2 to this Agreement;

(h) "Project District" means a District selected in accordance with criteria set forth in the Project Implementation Manual and in which the Project, or any part

thereof, is to be carried out;

(i) "Project Coordinating Office" or "PCO" mean the office within MOPED, established by the Borrower in September 1997, to coordinate the implementation of all components of the Project;

(j) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated July 22, 1997, and July 29, 1997, between the Borrower and the Association;

(k) "Project Implementation Manual" means the Project Implementation Plan, dated December 15, 1997, prepared by the Borrower and including, inter alia, detailed procurement and disbursement arrangements, performance indicators and other administrative, financial and organizational arrangements to be used in the course of implementation of the Project;

(l) "Project Account" means the Project Account referred to in Section 3.03 of this Agreement;

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

(n) "Uganda Shilling" and "Ug. Sh." mean the 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 twenty five million Special Drawing Rights (SDR 25,000,000).

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 and 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 December 31, 2003, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other

eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

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

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

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15 commencing September 15, 2008, and ending March 15, 2038. Each installment to and including the installment payable on March 15, 2018, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end:

- (i) shall carry out Part C of the Project through the PCO, with due diligence and efficiency and in conformity with appropriate administrative, financial and technical practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for Part C of the Project; and
- (ii) without prejudice to the generality of paragraph (a) of this Section, the Borrower may cause Parts A and B of the Project to be implemented in each Project District (A) by one or more NGO(s), selected in accordance with Section II of Schedule 3 to this Agreement and the provisions of the Project Implementation Manual or (B) by the administration of the relevant District, where it is unable to select an NGO under subparagraph (a) (ii) (A) of this Section 3.01.

(b) Where the Borrower chooses to implement Part A or Part B of the Project in the Project Districts through one or more NGO(s), the Borrower shall: (i) cause such NGO(s) to carry out such Part of the Project, with due diligence and efficiency, and in conformity with appropriate technical, financial and administrative practices; (ii) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable such NGO(s) to carry out the Project; and (iii) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project by such NGO(s).

(c) Where an NGO has been selected to implement Part A or B of the Project in a Project District, the Borrower shall conclude a memorandum of understanding (hereinafter called Memorandum of Understanding) with such NGO for the implementation of such Part of the Project, whereby the Borrower shall make available to such NGO the proceeds of the Credit allocated to such Part of the Project for such Project District on a grant basis and on such other terms and conditions as shall be acceptable to the Association.

(d) The Borrower shall exercise its rights under each Memorandum of Understanding in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive such Memorandum of Understanding or any provision thereof.

(e) 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, or shall cause the relevant NGO(s) to carry out, Parts A and B of the Project, all in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

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

Section 3.03. (a) The Borrower shall open and maintain an account (the Project Account) in Uganda Shillings in a commercial bank on terms and conditions acceptable to the Association, and in accordance with the schedule described in paragraph (b) of this Section, shall deposit therein its annual counterpart contribution.

(b) Without limitation upon its obligations under Section 3.01 of this Agreement, the Borrower shall make appropriate budgetary provisions to finance its counterpart contribution to the cost of the Project in accordance with the following Schedule:

Fiscal year following Effective Date	Amount expressed in
Year	Dollars First Fiscal
	400,000 Second Fiscal Year
	600,000 Third Fiscal Year
	1,000,000 Fourth Fiscal Year
	1,000,000 Fifth Fiscal Year
	1,000,000

Section 3.04. The Borrower shall, not later than one hundred eighty days after the Effective Date, set up Project District coordination committees in twenty-five Project Districts.

Section 3.05. 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, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

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

- (i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) The Borrower shall cause NGOs to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of such NGOs and to register separately the operations, resources and expenditures related to the Project.

(b) The Borrower shall cause NGOs to:

- (i) have their records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts 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 copies of the financial statements referred to in paragraph (a) above for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Borrower and the Association such other information concerning such records, accounts and financial statements and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall cause NGOs:

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

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

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

ARTICLE VI

Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely that as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

ARTICLE VII

Effective date; Termination

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

(a) the Borrower has furnished to the Association a satisfactory sample form of a Memorandum of Understanding; and

(b) the Borrower has opened the Project Account and deposited therein the Uganda Shillings equivalent of one hundred thousand dollars (\$100,000) as part of the Borrower's counterpart funding for the First Project Year.

Section 7.02. 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 VIII

Representative of the Borrower; Addresses

Section 8.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance  
P.O. Box 8147  
Kampala, Uganda

Cable address:

Telex:

FINSEC  
Kampala

61170

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 (MCI) or  
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

THE REPUBLIC OF UGANDA

By /s/ Edith Ssempala

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ James Adams

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	750,000	100% of foreign expenditures and 75% of local expenditures
(2) Grants to Communities	4,900,000	75%
(3) Equipment and Material	2,650,000	100% of foreign expenditures and 75% of local expenditures
(4) Learning and IEC materials	550,000	100% of foreign expenditures and 75% of local expenditures



(5)	Consultants' Services and Studies	3,800,000	100%
(6)	Training	3,500,000	100% of foreign expenditures and 90% of local expenditures
(7)	Operating Costs:		
	(a) At District and Communities level	6,500,000	100% of foreign expenditures and 85% of local expenditures
	(b) Other	650,000	100% in FY98/99; 75% in FY99/00; 50% in FY00/01 and thereafter
(8)	Refunding of Project Preparation Advance	750,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(9)	Unallocated	950,000	
	TOTAL	25,000,000	

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;

(c) the term "operating costs" means the incremental costs incurred on account of Project implementation, management and monitoring, including office supplies, vehicle operation, travel and supervision costs, but excluding salaries of officials of the Borrower's civil service; and

(d) the term "IEC" means all information, education and communication activities carried out under the Project.

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: (i) goods, works and services of consulting firms under contracts not exceeding \$100,000 equivalent, and (ii) services of individual consultants under contracts not exceeding \$50,000 equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Borrower in the implementation of its (a) 1993 National Program of Action for Children, and (b) 1997 Poverty Eradication Action Plan through improved child health and nutrition, improved cognitive and psychosocial development, growth and development of children under six years of age.

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: Integrated Community Child Care

1. Development and implementation of programs designed to improve parental awareness of major aspects of child care, growth and development through parental education, child growth monitoring and promotion, training and sensitization.

2. Strengthening the capacity of communities to support child development programs through:

(a) the carrying out of community planning sensitization workshops;

(b) child day campaigns; and

(c) training in savings and credit group formation to support child development, including training in basic accounting and management skills and skills in microenterprise development.

Part B: Grants for Child Development and Innovation

The provision of grants to finance the partial establishment costs of: (i) early childhood centers; and (ii) other activities to be identified by communities, including the (A) construction and operation of community child care centers, (B) home based child care centers, (C) the production and marketing of weaning foods, and (D) other initiatives identified by communities to support children.

Part C: National Support for Child Development

1. Development and implementation of a monitoring and evaluation scheme to systematically monitor inputs and outputs under Parts A and B of this Schedule, as well as to evaluate impacts on children and parents.

2. Development and implementation of specific activities for (a) the prevention of micronutrient deficiencies, (b) development of curriculum guidelines for center-based early childhood development (ECD) and training of trainers on ECD, (c) communications and IEC strategy to support project goals, (d) studies to strengthen policy development for children, and (e) carrying out child rights advocacy campaigns.

\* \* \*

The Project is expected to be completed by June 30, 2003.

### SCHEDULE 3

#### Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of this Section.

Part B: International Competitive Bidding

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

Part C: Other Procurement Procedures.

1. National Competitive Bidding

Goods and works estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$3,600,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Procurement from UN Agencies

Goods under Part A of the Project may be procured from the Interagency Procurement Services Office (IAPSO) in accordance with the provisions of paragraph 3.9 of the Guidelines.

3. Community Participation

Goods and works required for Part B of the Project shall be procured in accordance with procedures acceptable to the Association.

4. National Shopping

Goods and materials required under Parts A and B of the Project estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$3,500,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

5. Procurement of Small Works

Works estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$7,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to 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 1.

2. Prior Review

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

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

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

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services under Part A of the Project, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Auditing services under Part C of the Project estimated to cost less than \$200,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Single Source Selection

Services for technical assistance, implementation and training under Part A of the Project and evaluation and baseline surveys under Part C of the Project which are estimated to cost less than \$100,000 equivalent per contract may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Service Delivery Contractors

Services to be provided by social workers or medical personnel under Part B of the Project shall be procured in accordance with procedures acceptable to the Association.

4. Individual Consultants

Services for technical assistance under Part C of the Project shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

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

(b) With respect to each contract for the employment of consulting firms and NGOs estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. The Borrower shall:

(a) establish and maintain, until the completion of the Project:

(i) a Project Steering Committee (PSC) by not later than three months after the Effective Date, under the chairmanship of the Permanent Secretary, MOPED, whose functions, composition and terms of

reference shall be satisfactory to the Association, and which shall, inter alia, be responsible for providing overall policy guidance and make recommendations on the timely and satisfactory implementation of the Project,

(ii) district coordination committees, not later than six months after the Effective Date, which shall be responsible for coordinating and supervising Project activities in each Project District; and

(b) maintain its Project Coordinating Office (PCO) established on September 8, 1997, headed by a suitably qualified Project Coordinator, accountable to the Permanent Secretary, MOPED, which shall be responsible for (i) coordinating all activities under the Project, and (ii) preparation of periodic reports on the implementation of the Project.

2. Except as the Association shall otherwise agree, the Borrower shall, in carrying out the Project, apply the guidelines and procedures specified in the Project Implementation Manual and shall not amend such Project Implementation Manual or waive any provision thereof which, in the opinion of the Association, will materially or adversely affect the implementation of the Project.

3. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with performance indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) not later than March 31 of each year, undertake, in conjunction with the Association and NGOs, a joint annual review of the Project (or, in the case of the annual review to be undertaken not later than March 31, 2001, a midterm review), during which they shall exchange views generally on all matters relating to the progress of the Project and the performance by the Borrower of its respective obligations under this Agreement, including:

(i) the progress achieved by the Borrower in the implementation of the Project, having regard to the performance indicators referred to in the Project Implementation Manual,

(ii) a review of the proposed work plans and budget for the forthcoming fiscal year, and

(iii) in the case of the midterm review, proposals for such strategic adjustments to the Project as may be deemed necessary or appropriate in furtherance of the objectives of the Project;

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

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

4. The Borrower shall submit to the Association, for its review or approval, as the case may be:

(a) not later than January 31 of each year, proposed annual work plans and budget for the forthcoming fiscal year, giving details of proposed budgetary allocations and disbursement estimates, proposed procurement and training activities and such other particulars as the Association may require, including, where applicable, an evaluation of the results of the training program for the current fiscal year;

(b) semiannual progress reports on the status of the Project to be submitted not later than January 31 and July 31 of each year, including semiannual procurement reports, giving details of:

(i) revised cost estimates for individual contracts and for the

Project, including best estimates of allowances for price contingencies; and

- (ii) revised timing of procurement actions, including advertising, bidding, contract award and completion time for individual contracts, reports, as needed, on the award of contracts under the Project.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (7) 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 \$2,000,000 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 \$1,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 2,000,000.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to, or at the time of, each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further

withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special 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, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association (A) provide such additional evidence as the Association may request, or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraph 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.

