

CONFORMED COPY

CREDIT NUMBER 2490 ANG

Development Credit Agreement

(Health Project)

between

REPUBLIC OF ANGOLA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 17, 1993

CREDIT NUMBER 2490 ANG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 17, 1993, between the REPUBLIC OF ANGOLA (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; and

(B) the Association has received a Health Policy Statement (the Policy Statement) dated December 15, 1992, from the Borrower describing its policies in the Health Sector and its commitment to the implementation of such policies.

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitutes an integral part of this

Agreement.

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

- (a) "MOH" means the Borrower's Ministry of Health;
- (b) "PIU" means Project Implementation Unit established within MOH's Planning Department pursuant to Despacho No. 56/H/92 dated September 9, 1992, issued by the Minister of Health of the Borrower;
- (c) "NFPP" means the Borrower's National Family Planning Program;
- (d) "PNLS" means the Borrower's National AIDS Control Program;
- (e) "UNFPA" means the United Nations Fund for Population Activities;
- (f) "Project Account" means the account referred to in Section 3.03 of this Agreement;
- (g) "Health Post" means basic public health services unit at the local level;
- (h) "Health Center" means basic public health services unit at the municipal level;
- (i) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (j) "Implementation Agreement" means any of the agreements entered into between the Borrower and government or private institutions selected to carry out, on its behalf, certain Parts of the Project and described under Part C of Schedule 5 to this Agreement;
- (k) "DGMC/KZ" means Direccao Geral das Missaes Catolicas do Kwanza Sul;
- (l) "Project Preparation Advance" means the project preparation advance granted by the Association pursuant to an exchange of letters between the Borrower and the Association dated September 19, 1989, and September 25, 1989;
- (m) "fiscal year" or "FY" means the Borrower's fiscal year which runs from January 1 to December 31; and
- (n) "Project Performance Key Indicators" means those indicators designed to measure the Borrower's performance in achieving Project objectives agreed between the Borrower and the Association.

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 this Agreement, an amount in various currencies equivalent to fourteen million two hundred thousand Special Drawing Rights (SDR 14,200,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

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

repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1998, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date 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 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 1 and September 1 commencing September 1, 2003 and ending March 1, 2033. Each installment to and including the installment payable on September 1, 2013, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the

Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MOH with due diligence and efficiency and in conformity with appropriate health, administrative and financial 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 5 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of 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, through PIU, shall: (a) open an account in dollars, or such other currency as may be acceptable to the Association, in a commercial bank (the Project Account), on terms and conditions satisfactory to the Association; (b) make an initial deposit into such account, in dollars, or such other currency as may be acceptable to the Association, in an amount equivalent to two hundred thousand dollars (\$200,000); and (c) maintain the Project Account throughout Project implementation, and deposit every four months, into said account, such amounts in dollars, or such other currency as may be acceptable to the Association, as shall be required to timely replenish the Project Account and ensure continuous availability of funds corresponding to the Borrower's contribution to the Project.

Section 3.04. (a) The Borrower and the Association shall:

- (i) not later than October 31 of each year, until the completion of the Project, conduct an annual review to: (A) assess progress achieved in Project implementation in compliance with Project objectives and the Performance Key Indicators; (B) monitor state of maintenance of buildings constructed or rehabilitated under the Project; and (C) assess the results of training programs carried out during the previous year and discuss and agree on the training programs for the forthcoming year; and
- (ii) not later than October 31, 1995, conduct a mid-term review to: (A) monitor degree of compliance with Project objectives and Performance Key Indicators agreed upon between the Borrower and the Association; (B) review, and adjust, if necessary, the description of the Project provided in Schedule 2 to this Agreement; (C) assess the performance of consultants' services contracted by the Borrower under the Project; (D) monitor availability of funds in the Project Account referred to in Section 3.03 of this Agreement; (E) review staffing and qualification of Project management staff referred to under Part A of Schedule 5 to this Agreement; and (F) review the Policy Statement.

(b) The Borrower shall:

- (i) not later than July 31 of each year, until the completion of the Project, furnish to the Association, for its review and comments, a report in such detail as the Association shall reasonably request, including an evaluation of progress achieved in carrying out the Project; and
- (ii) promptly after carrying out the reviews described in (a) above, carry out the recommendations of said reviews as agreed between the Borrower and the Association.

Section 3.05. The Borrower shall, during the execution of the Project: (a) maintain with functions, responsibilities, experience, qualifications and terms of reference satisfactory to the Association, the staff responsible for Project Implementation as set forth in Part A of Schedule 5 to this Agreement; (b) take all necessary measures to make available housing, office space, and transportation to consultants employed under the Project; and (c) take all necessary legal and administrative measures to ensure that staff having received training financed under the Project would provide a formal commitment to full-time working, upon return, for the respective government agency or institution for a period equivalent, at least, to

twice that of the training.

Section 3.06. Except as the Association and the Borrower shall otherwise agree, the Borrower shall, not later than December 31, 1994, furnish to the Association a document defining the role of demobilized army staff in the Project.

Section 3.07. The Borrower shall submit to the Association for review and comments: (a) not later than October 31 of each year, the draft annual recurrent budget for the health sector for the upcoming calendar year; and (b) not later than October 31, 1994, the draft investment plan for the health sector for the period 1995-1999.

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 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.

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) as a result of events which have occurred after the date of this

Agreement, an extraordinary situation shall have arisen which make it improbable that the Borrower, MOH or PIU, as the case may be, will be able to perform any of their obligations under this Agreement or any of the Implementation Agreements;

(b) the Borrower or any authority having jurisdiction shall have taken any action concerning the Borrower's Policy Statement that would materially affect the implementation of said Statement and the achievement of objectives of the Project; and

(c) Law No. 21/B/92 dated August 28, 1992, (Lei de Base do Sistema Nacional de Saude) and other recently enacted legislation and regulations relevant to the Project shall have been amended, suspended, abrogated, repealed or waived so as to affect materially the ability of the Borrower to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are, namely, that any of the events specified in paragraphs (a) or (b) shall occur and shall continue for a period of thirty (30) days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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) that the Project Account has been opened and the initial deposit made into it in accordance with the provisions of Section 3.03 of this Agreement; and

(b) that consultants' services have been contracted to carry out the audits referred to under Section 4.01 of this Agreement, in accordance with technical and contractual terms satisfactory to the Association.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished by the Borrower's Attorney General to the Association:

(a) that this Agreement has been duly ratified by the Borrower's Council of Ministers or its legal successor under a new Constitution and is legally binding upon the Borrower in accordance with its terms; and

(b) that the Implementation Agreements have been legally executed and are binding upon the Borrower and its respective counterparts.

Section 6.03. 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 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
127 Avenida Quatro de Fevereiro
Luanda
Republic of Angola

Cable address:

Telex:

MINSAU
Luanda, Angola

9983363

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

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

REPUBLIC OF ANGOLA

By /s/ Jos/e Pedro de Morais Junior

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Francisco Aguirre-Sacasa

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 under:		100% foreign expenditures; and 80% local expenditures
(a) Parts B.3 (a), (b) and (c) of the Project	3,260,000	
(b) (i) Part B.2 of the Project; and	280,000	
(ii) Part B.4 of the Project	710,000	
(2) Equipment, vehicles, materials and furni- ture under:		100%
(a) Part A of the Project	210,000	

(b) Parts:		
(i) B.1 (a) of the Project	350,000	
(ii) B.1 (b) of the Project	140,000	
(iii) B.2 of the Project	140,000	
(iv) B.3 (a), (b), and (c) of the Project	920,000	
(v) B.4 of the Project	570,000	
(3) Consultants' services:		100%
(a) under Part A of the Project	2,480,000	
(b) under Parts:		
(i) B.1 (a) of the Project	210,000	
(ii) B.1 (b) of the Project	210,000	
(iii) B.3 of the Project	1,770,000	
(iv) B.2 of the Project	70,000	
(v) B.4 of the Project	350,000	
(4) Incremental operating costs under:		20%
(a) Part A of the Project	70,000	
(b) Parts:		
(i) B.3 of the Project	70,000	
(ii) B.4 of the Project	70,000	
(5) Refunding of Project Preparation Advance	850,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	1,470,000	
TOTAL	14,200,000	

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) "incremental operating costs" means expenditures incurred by PIU for Project implementation on account of operation, maintenance of vehicles and equipment, supplies and consultants' services directly related to the implementation of the Project as described in Schedule 2 to this Agreement.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (i) payments made for expenditures prior to the date of this Agreement; (ii) payments made for expenditures under Category (1), until the Association has received documentary evidence satisfactory to it confirming the Borrower's legal ownership of land where civil works will be carried out under Parts B.2, B.3 and B.4 of the Project; (iii) payments made for expenditures under Category (2) (b) (i), until the PNLs Implementation Agreement between MOH and WHO has been signed, (iii) payments for expenditures under Category (2) (b) (ii), until the NFPP Implementation Agreement between MOH and UNFPA has been signed; (iv) payments under Categories (1) (b) (i), (2) (b) (iii) and (3) (b) (iv), until the MSF Implementation Agreement between MOH and Medicos Sin Fronteras has been signed; and (v) payments under Categories (1) (b) (ii), (2) (b) (v), (3) (b) (iii) and (4) (b) (ii), until the DGMC/KZ Implementation Agreement between MOH and DGMC/KZ has been signed.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) strengthen the Borrower's health policy, health sector management and public health program development capabilities; and (b) improve health care in selected locations, at the national, regional and municipal levels.

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: Strengthening of Health Sector Policy and Management

1. Strengthening of health policy development:

Strengthening of MOH's health policy formulation and health services programming and management capabilities.

2. Institutional strengthening of MOH:

(a) Assisting MOH's Departments of Planning, Public Health and Human Resources to (i) define health policies, and (ii) manage the health sector;

(b) strengthening of MOH's Department of Planning capabilities for Project management;

(c) provision of short-term training for senior staff in the fields of Health Policy and Health Sector Management; and

(d) building rehabilitation, acquisition of office equipment, training materials, supplies and vehicles for MOH and PIU.

3. Carrying out preinvestment studies jointly agreed between the Borrower and the Association in, inter alia, the following areas:

(a) Health Sector Management;

(b) Human Resources Development;

(c) Sexually Transmitted Diseases (STD), and Maternal and Child Health;

(d) Health facilities rehabilitation; and

(e) Identification of follow-up investment operations in the health sector.

Part B: Improvement of Selected National Health and Rehabilitation Programs

1. Strengthening of the following national health programs, through the provision

of training, acquisition of equipment and the carrying out of information activities:

- (a) AIDS/STD Control Program; and
- (b) National Family Planning Program.

2. Rehabilitation of selected health posts in the Province of Huila:

Rehabilitation, including waste disposal, sanitation and sanitary water supply; furnishing, equipping and reorganization of about ten Health Posts in the Province of Huila.

3. Relocation, construction, upgrading, rehabilitation and equipping of selected facilities in Lubango:

- (a) Health Professional School for nurses and health technicians including:
 - (i) Construction of new school facilities, including: (A) a new health center in the School's campus; and (B) a health equipment maintenance center;
 - (ii) carrying out a training program and continuing education courses; and
 - (iii) rehabilitation of two Health Posts in Tiocho and Nambambe;
- (b) Municipal Health Center; and
- (c) Pediatric Center.

4. Rehabilitation, equipping, furnishing and training of staff of:

- (i) the existing hospital of Porto Amboim; and
- (ii) two Health Posts in Pinda and Km 47.

* * *

The Project is expected to be completed by June 30, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

2. Goods shall be exempted from pre-shipment price inspection by a third-party inspection firm.

Part B: Preference for Domestic Manufacturers

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

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Local Competitive Bidding

Works referred to under Parts B.2, B.3 (b), B.3 (e) and B.4 up to an aggregate amount equivalent to \$800,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. International or Local Shopping

Vehicles and goods estimated to cost the equivalent of \$25,000 or less per contract, up to an aggregate amount equivalent to \$700,000 may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract: (i) for works estimated to cost the equivalent of \$200,000 or more; and (ii) for goods estimated to cost the equivalent of \$25,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

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

3. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

(a) In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

(b) The Borrower shall appoint staff with qualifications and experience satisfactory to the Association as local counterparts to the consultants employed in accordance with the provisions of paragraph (a) above. Such local counterpart staff shall be appointed before a contract is entered into between the Borrower and the respective consultants.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$200,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

(d) Refunds to the Association made pursuant to 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.

SCHEDULE 5

Implementation Program

Part A: Project Management

1. Project Implementation Unit (PIU)

(a) MOH shall carry out the Project through its Planning Directorate where the PIU, reporting directly to the Director of said Directorate, shall be established.

(b) PIU shall be headed by a full-time staff with the rank of National Director, with qualifications and experience satisfactory to the Association.

(c) PIU shall be staffed with at least: (i) its Director, two accountants (one senior and one junior), one engineer or architect, and support staff in adequate numbers; and (ii) an expatriate Project Advisor, employed in accordance with the provisions of Section II of Schedule 3 to this Agreement.

(d) PIU shall be responsible, inter alia, for the following: (i) coordination of Project-related activities and distribution of Project documentation among all relevant MOH Departments; (ii) overall (ii) overall coordination of Project implementation; (iii) compliance with monitoring and reporting requirements under the Project, including: (A) quarterly progress reports; and (B) annual updated implementation schedule, detailed costs and budgetary requirements for Project-supported activities to be carried out during the upcoming Project year; and (iv) interliaising with governmental, international and private institutions, donor agencies active in the sector, and the Association, in order to facilitate Project implementation.

Part B: Project Implementation

The following Directorates and units of the Borrower shall be responsible for Project implementation as follows:

1. Part A of the Project shall be carried out by MOH's Directorate of Planning.

2. (a) Notwithstanding the provisions of Part C of this Schedule, works under Part B.3 of the Project shall be carried out under the supervision of MOH's Human Resources Directorate in close collaboration with the Provincial Health representative in Lubango.

(b) Training and other consultants' services to be financed under the Project for the Health Professional School described under Part B.3 of the Project, shall be carried out through twinning arrangements entered into between MOH and relevant foreign institutions, in accordance with selection and contracting procedures acceptable to the Association.

Part C: Implementation Agreements

The Borrower shall enter into Implementation Agreements satisfactory to the Association with selected government, private and international institutions to carry out certain Parts of the Project, which shall include, inter alia, the following provisions:

(a) identification of functions, technical and financial contribution and staffing of the specific institutions responsible for the execution of the respective Part of the Project;

(b) description of coordination, review, renewal and settlement of disputes mechanisms;

(c) inventory of goods and services procured and methods of procurement;

(d) financial and auditing provisions; and

(e) supervisory role of MOH's Directorate of Planning.

