

CONFORMED COPY

CREDIT NUMBER 3342 CD

Development Credit Agreement
(Health Sector Support Project)

between

REPUBLIC OF CHAD

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 10, 2000

CREDIT NUMBER 3342 CD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 10, 2000, between the Republic of CHAD (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 of Sector Policy (the Letter) dated March 17, 2000 which describes a program of actions, objectives and policies (the Program) designed to strengthen the Borrower's health sector and declaring therein 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 (as amended through December 2, 1997), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

- (a) A new paragraph (c) is added to Section 3.04 to read:

"If the Association shall at any time receive less than the full amount then due and payable to it under the Development Credit Agreement, the Association shall have the right to allocate and apply the amount so received in any manner and for such purposes under the Development Credit Agreement as the Association shall in its sole discretion determine."; and

- (b) Section 11.01 is modified by replacing, in the second sentence, the word "radiogram" with the word "facsimile" and adding a new sentence at the end of the said Section to read:

"Deliveries made by facsimile transmission shall also be confirmed by mail."

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) "AIDS/STD/HIV" means Acquired Immunodeficiency Syndrome/Sexually Transmitted Diseases/Human Immunodeficiency Virus;

- (b) "ATS" means Agent Technique de Santé, the trained personnel discharging the functions of nursing-aides in the health care delivery system;

- (c) "BCESPP" means Bureau de Coordination des Études et du Suivi des Projets et des Programmes, a special purpose service established by the Borrower, under the authority of the Directorate General (as hereinafter defined), to provide monitoring and follow-up for various national programs and projects;

- (d) "CBC" means the Central Bureau of Census of the Borrower's Ministry of Economic Promotion, Development and Cooperation, in charge of collecting and managing socio-economic and census information;

- (e) "Cellule Economique" means a body within the Borrower's Ministry of Economic Promotion, Development and Cooperation which operates under the dispositions of Decree No. 523/PR/99 dated December 20, 1999;

- (f) "Contracting for Services" means contracting for the provision of health service providers under a contract between the Borrower and such providers;

- (g) "CPA" means the Complementary Package of Activities to be provided as part of the health care services delivered at the district hospitals under Part B of the Project;

- (h) "CPPA" means the Central Pharmaceutical Purchasing Agency, an administrative autonomous entity (Etablissement Public) established by the Borrower pursuant to Law No. 33/PR/94 and Decree No. 10/PR/MSP/95, which provides essential drugs, disposable goods and medical supplies to

public facilities;

(i) "CPU" means the Community Participation Unit established and operating under the authority of DACS (as hereinafter defined);

(j) "DACS" means the Directorate of Health Activities in MOPH (as hereinafter defined) in charge of supervising the execution of national programs;

(k) "Directorate General" means the Directorate within MOPH in charge of managing and supervising the activities of the various directorates of the MOPH as well as the PHOs (as hereinafter defined);

(l) "DIT" means Decentralized Initial Training, a training program established to provide accelerated training for health workers in four RTCs (as hereinafter defined);

(m) "Health Districts" means the geographical and administrative sub-divisions of the PHOs;

(n) "ENASS" means Ecole Nationale des Agents de Santé et Sociaux, the Borrower's National School of Social and Health Agents;

(o) "FCFA" means Franc de la Coopération Financière en Afrique Centrale, the currency of the Borrower;

(p) "Finance Division" means an administrative division of the MOPH accountable to the Directorate General;

(q) "Fiscal Year" means the Borrower's fiscal year which begins on January 1 and ends on December 31 each year;

(r) "Geneva IV Round Table" means a meeting held within the framework of a United Nations development initiative on October 20 and 21, 1998, for the consultation of development partners and the mobilization of resources;

(s) "IEC" means Information, Education and Communication;

(t) "IECD" means the Information, Education and Communication Division of the Directorate General in charge of implementing the Borrower's National Health Communication Policy published in May 1998;

(u) "MOPH" means the Borrower's Ministry of Public Health;

(v) "MPA" means the Minimum Package of Activities, to be provided as part of the primary health care services delivered at health centers;

(w) "NGO" means Non Governmental Organization operating under the laws of the Borrower;

(x) "NHP" means the National Health Policy adopted by the Borrower on January 10, 1993, as amended in June 1998 and confirmed on March 10, 1999 during the Health Sectoral Meetings held on the occasion of the Geneva IV Round Table Process;

(y) "NPP" means the National Pharmaceutical Policy, adopted by the Borrower on August 24, 1998 (Decree No. 275/PR/MSP/98);

(z) "NRH" means the National Reference Hospital located in N'Djamena;

(aa) "PCT" means Project Coordination Team, a unit to be established under the Directorate General to ensure coordination of Project activities, coordination among stakeholders and to discharge the function of secretariat to the Steering Committee (as hereinafter

defined);

(bb) "PD" means the Pharmaceutical Division of MOPH;

(cc) "PHOs" means the Prefectural Health Offices of MOPH;

(dd) "PPPs" means Prefectural Purchasing Pharmacies, which have the responsibility of providing essential drugs, disposable goods and medical supplies to health facilities of each PHO;

(ee) "Project Implementation Manual" means the manual adopted by the Borrower, pursuant to paragraph 6.01 (b) of Article VI and paragraph 1 (b) of Schedule 4 to this Agreement and containing, inter alia, disbursement and procurement arrangements, work plans, training programs and procedures to be used for the purpose of implementing the Project, as such manual may be amended from time to time with the prior written consent of the Association, such term to include any schedules thereto;

(ff) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(gg) "RTC" means Regional Training Centers responsible for the training of health workers in the territory of the Borrower;

(hh) "Special Accounts" means the accounts referred to in Schedule 5 of this Agreement;

(ii) "STD" means sexually transmitted diseases;

(jj) "Steering Committee" means a committee within MOPH under the authority of the Directorate General, in charge of planning, managing and supervising Health Sector activities including Project implementation;

(kk) "Technical Support Agencies" means United Nations Agencies or NGOs with whom the MOPH will enter into contract for the purpose of providing technical support to PHOs, to Health Districts and to selected MOPH Divisions;

(ll) "UNICEF" means United Nations Children's Fund;

(mm) "WHO" means World Health Organization;

(nn) "WHO/EDM" means a department within WHO called "Essential Drugs and Medicines Policy"; and

(oo) "WHO/OSD" means a department within WHO called "Organization of Health Services Delivery".

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 thirty-one million Special Drawing Rights (SDR 31,000,000).

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 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 FCFA two special deposit accounts ("Special Account I" in

respect of Parts A, B, C and D of the Project and "Special Account II" in respect of Part E of the Project) 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 Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2005 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 June 15 and December 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 June 15 and December 15 commencing June 15, 2010 and ending December 15, 2039. Each installment to and including the installment payable on December 15, 2019 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 French Republic 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 MOPH with due diligence and efficiency and in conformity with appropriate administrative, environmental and medical 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. 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.

Section 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain an account (the Project Account) to

finance the Borrower's contribution to the Project, in FCFA in a commercial bank on terms and conditions satisfactory to the Association;

(b) promptly thereafter make an initial deposit of an amount equivalent to FCFA 50,000,000 into such account;

(c) thereafter deposit into the Project Account by April 15 and October 15 in each Fiscal Year during Project implementation such amounts as shall be required to timely replenish the Project Account back to the amount of the initial deposit referred to in paragraph (b); and

(d) use the Project Account funds exclusively to finance expenditures under the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts 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 Project Management Reports or 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 Project Management Reports or 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) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than 15 months after the Effective Date, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement

within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has opened the Project Account and deposited therein the initial deposit referred to in Section 3.04 (b) of this Agreement;

(b) the Borrower has adopted the Project Implementation Manual in form and substance acceptable to the Association;

(c) the Borrower has appointed auditors in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(d) the Borrower has established a PCT satisfactory to the Association with a coordinator, a management financial specialist, an accountant, a procurement specialist, an architect, a public health doctor and an assistant accountant, all appointed in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(e) the Borrower has approved a draft pharmacy law, satisfactory to the Association;

(f) the Borrower has appointed an architectural/engineering firm, in accordance with the provisions of Section II of Schedule 3 to this Agreement, for the design and the supervision of all the construction and rehabilitation work under the Project;

(g) the Borrower has entered into contracts, in form and substance satisfactory to the Association, with: (i) UNICEF for the provision of assistance in the delivery of health services (under Part B of the Project) and the design and implementation of IEC activities (under Part D of the Project); (ii) WHO/OSD for providing support for contracting for services (under Part C of the Project); and (iii) WHO/EDM for providing support to PD (under Part D of the Project);

(h) the Borrower has furnished to the Association draft contracts with Technical Support Agencies, in form and substance satisfactory to the Association, which shall provide support to the Lac and Kanem PHOs and to four Health Districts in Moyen-Chari; and

(i) the Borrower has furnished to the Association a procurement plan for the Project in form and substance satisfactory to the Association.

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 Minister of the Borrower at the time responsible for economic promotion, development and cooperation 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 Economic Promotion,
Development and Cooperation
B.P. 286
N'Djamena
Republic of Chad

Facsimile: Cable address: Telex:
51 51 85 5329 KD (235)

For the Association:

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

Facsimile: Cable address: Telex:
477-6391 INDEVAS 248423 (MCI) or (202)
Washington, D.C. 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 N'Djamena, Chad, as of the day and year first above written.

REPUBLIC OF CHAD

By /s/ Ahmed Lamine Ali
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mary Barton-Dock
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so

to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works	8,030,000	100% of foreign expenditures and 95% of local expenditures
(2) Goods: Furniture and equipment	4,460,000	100% of foreign expenditures and 90% of local expenditures
(3) Pharmaceutical and medical products	2,260,000	100%
(4) Studies	1,420,000	100%
(5) Consultants' services Training and audits	5,050,000	100%
(6) Operating Costs incurred	3,700,000	90% of costs during first 3 years following the Effective Date and 85% thereafter
(6) Unallocated	6,080,000	
TOTAL	31,000,000	

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

(c) the term "Operating Costs" means the incremental expenses incurred on account of Project implementation, management, monitoring and reporting, including office supplies, vehicles operation and maintenance, communication and insurance costs, rental expenses, office administration costs, utilities, Special Accounts banking charges, equipment operation, transport, local per diem and supervision costs but excluding salaries of officials of the Borrower's civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made: (a) for expenditures prior to the date of this Agreement; (b) for expenses in respect of Part E of the Project (in Categories (4), (5) and (6)) prior to the furnishing of a

working plan and a budget by CBC, in form and substance acceptable to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for: (i) expenditures for goods and works under contracts costing less than \$100,000 equivalent each; (ii) expenditures for services under contracts costing less than \$100,000 equivalent each for consulting firms, and less than \$50,000 equivalent each for individual consultants; (iii) all expenditures for training; and (iv) operating costs, all 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 to implement its national health policy, thus supporting the extension of basic quality health services in the territory of the Borrower .

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: Human Resources Development

Strengthening human resources development by supporting training programs for DIT and continuing education in the Sahr and Moundou RTCs and for ENASS through :

(a) carrying out of training programs for: (i) students, trainers and teaching and MOPH staff; and (ii) continuing education for medical and paramedical workers;

(b) provision of technical advisory services (inter alia, thru WHO) for: (i) the design and harmonization of continuing training programs; (ii) the update of teaching manuals and materials; (iii) the strengthening of the monitoring, evaluation and supervisory functions of the RTCs; and (iv) personnel management;

(c) organization of internships and development of related monitoring programs;

(d) acquisition of teaching materials, vehicles and equipment;
and

(e) rehabilitation of five buildings within MOPH main complex and construction of a meeting/training room.

Part B: Strengthening District Health Services in Certain Underserved Areas

1. Improving the health coverage in the PHOs of the Tandjilé areas by :

(a) strengthening the delivery of quality MPA through: (i) implementation of a community-based-strategy designed for immunization coverage and pre-natal care; (ii) introduction of standardized protocols for essential activities in MPA; (iii) acquisition of materials for nutrition activities and vehicles and equipment for mobile teams; and

(iv) construction, equipment and provision of essential drugs and medical consumables of about three health centers;

(b) strengthening the delivery of CPA through: (i) the introduction of standardized protocols for essential activities in CPA; (ii) the provision of technical advisory services for the training of personnel for the introduction of an autonomous management of the hospitals (budgeting system and establishment of operational and management entities); (iii) the acquisition of equipment and essential drugs for district hospitals, vehicles and shelters for referral and counter-referral procedures of patients; and (iv) construction of housing for selected health workers; and

(c) building capacity in the PHO and three district teams through: (i) the provision of technical advisory services for the preparation and implementation of health micro-plans and activities to obtain support of communities; (ii) the monitoring of supervisory activities; (iii) the supervision of new contracting for service experiments; (iv) the carrying out of training programs for PHO and health district teams as well as an internship program at the CPPA for the manager of the Lai PPP; (v) the carrying out of studies for design risk-sharing mechanisms and mutual health insurance schemes; and (vi) purchasing of equipment and vehicles.

2. Strengthening health service delivery and other operations in the health districts by:

(a) developing the MPA in the Lac, Kanem and Moyen-Chari préfectures and two rural districts in Chari-Baguirmi through: (i) the carrying out in RTC of training programs for health workers; (ii) the acquisition of essential drugs for health centers and vehicles and equipment for mobile teams; and (iii) the rehabilitation of about forty health centers in Moyen-Chari and about four in Kanem; the construction of about twelve new health centers in Moyen-Chari and about fifteen in Kanem; all including housing accommodations for head nurses and sanitary installations; and the construction of about six housing accommodations for midwives in rural areas;

(b) developing the CPA in the Lac, Kanem and Moyen-Chari préfectures and two rural districts in Chari-Baguirmi through: (i) the carrying out in RTC of training programs for health workers; (ii) the introduction of standardized protocols for essential activities in CPA; (iii) the provision of medical advisory services; (iv) the acquisition of essential drugs for district hospitals, vehicles, equipment and shelters for referral and counter-referral of patients; (v) rehabilitation and extension of three hospitals in Moyen-Chari, one hospital in Lac, and two district hospitals in Kanem; and (vi) the provision of technical advisory services for training of staff for the introduction of an autonomous management of the hospitals (budgeting system, and establishment of operational and management entities); and

(c) building capacity in the PHOs and the Health Districts through: (i) the provision of technical advisory services for the preparation and implementation of health micro-plans plans and activities to obtain support of communities; (ii) the monitoring of supervisory activities and the supervision of new contracting for services arrangements; (iii) the carrying out of training programs for PHO and Health Districts teams; (iv) the construction and rehabilitation of three prefectural offices in Sahr, in Bol and in Mao and about eight district offices (about three in Kanem, two in Lac and three in Moyen-Chari); and (v) the purchasing of equipment and vehicles.

Part C: Strengthening the Health Sector

1. Developing community participation in the health care system through: (i) the provision of technical advisory services to the CPU for: (A) the preparation of draft implementing decrees of the law concerning community participation in cost recovery; (B) the harmonization of cost-recovery practices; and (C) the financing of preventive activities; (ii) the carrying out of various studies for the CPU on the impact of cost recovery in district hospitals; (iii) the identification of existing micro-credits schemes and the review of other countries' experiences concerning risk-sharing mechanisms and mutual health insurance schemes; and (iv) the carrying out of: (A) information activities on risk-sharing mechanisms and mutual health insurance schemes aimed at stakeholders; and (B) information activities aimed at PHOs.

2. Supporting the decentralization process of the health system through: (i) the provision of technical advisory services to the Directorate General for cross-sector coordination in the area of administrative reforms; and (ii) the provision of technical advisory services to the Finance Division for the establishment of a decentralized budget system for the PHOs and drafting of a set of procedures for the management of autonomous hospitals.

3. Strengthening the contractual approach to health care management through: (i) the provision of technical advisory services to the Directorate General and its services (the Finance Division and the BCESPP) for: (A) the preparation of legal and financial procedures applying to contracts; (B) the monitoring and supervision of such contracts; and (C) the centralization of the registration and the follow up of the contracts; (ii) the carrying out of comparative studies for the evaluation of negotiated contracts; (iii) the carrying out of training programs, and related monitoring of the contracting arrangements, under the aegis of the Directorate General; and (iv) the carrying out of information and sensitization campaigns.

4. Rationalizing public expenditures management in the Finance Division through: (i) the provision of technical advisory services for: (A) the preparation of functional and consolidated budgets; and (B) the integration therein of foreign aid/contributions to the health sector and the development of a public expenditures program; and (ii) participation in training programs for capacity building in the conduct of annual public expenditure reviews.

Part D: Institutional Capacity Building in the MOPH

1. Strengthening the implementation of the NPP through: (i) the provision of technical advisory services for: (A) the design and implementation of semi-annual activity plans; (B) the decentralization of pharmaceutical supervision; and (C) the development of management capacities of PPPs; (ii) organization of short-term training in management, budgeting and registration of pharmaceuticals and supervisory schemes, workshops, study tours and distribution of technical materials to staff of the PD; (iii) the carrying out of multisectoral consultations, sensitization campaigns, publication of documents; (iv) the carrying out, within the framework of the NPP, studies on drugs (inter alia, price policy and rational use); and (v) the acquisition of equipment for PD and pharmaceuticals for CPPA and the PPPs.

2. Enhancing the execution of the National Health Communications Policy by: (i) providing technical advisory services to the IECD; (ii) providing training for IECD technical agents, health centers personnel and district teams; (iii) carrying out of qualitative studies in priority

areas; and (iv) producing of communication support materials.

3. Improving the AIDS/STD/HIV control strategy for health facilities through: (i) the provision of technical advisory services for: (A) the follow-up of a national blood transfusion policy; and (B) the strengthening of the NRH blood bank; (ii) the organization of training for health personnel in safe transfusion practices and in the use of STD kit treatments; (iii) the acquisition of STD treatments in kits, self-blocking syringes, hospital waste collection and processing equipment; and (iv) the carrying out of a sensitization program on the new STD treatment approach aimed at health personnel and population.

4. Enhancing the duration of health-related assets and infrastructure through: (i) the carrying out of training in management of maintenance contracts, in maintenance of biomedical equipment; (ii) the provision of technical advisory services for the preparation, and dissemination of maintenance guidelines; (iii) the organization of sensitization programs for health personnel; and (iv) the carrying out of studies to define maintenance strategies according to the types of investments.

Part E: Collection of National Data

Improving the collection of health and demographic data for the implementation of the NHP and planning of health activities through: (i) the provision of technical advisory services for: (A) the design and organization of a NHP survey (Mapping and data collection) in 2002; (B) the carrying out of field work (mapping and data collection), the analysis of collected data and of specific data (pertaining, inter alia, to nutrition, health services availability, AIDS prevention behavior); and (C) the publication of final survey reports; and (ii) the acquisition of equipment and supplies for the carrying out of the Health, Nutrition and Population Survey.

* * *

The Project is expected to be completed by June 30, 2005.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with: (a) 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, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.

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) Prequalification

Bidders for pharmaceuticals and medical products shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Grouping of contracts

To the extent practicable, contracts for medical equipment, furniture, equipment and supplies, training and audiovisual equipment, and vehicles shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$13,200,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods (pharmaceuticals and medical products excepted) estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$740,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods (pharmaceuticals and medical products excepted) estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$150,000 equivalent, may, subject to their availability, be procured under contracts awarded on the basis of national shopping procedures, or, in cases of unavailability, 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.

3. Direct Contracting

Pharmaceutical and medical products which can be bought directly from CPPA and costing \$3,360,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement from UN Agencies

Supplies and equipment estimated to cost less than \$30,000 per contract, may be procured from IAPSO (Inter Agency Procurement Service Office of the United Nations) or UNIPAC (UNICEF Procurement Agency), in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Procurement of Small Works

Works estimated to cost less than \$75,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 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 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

(a) With respect to the first two (2) contracts for goods estimated to cost between \$30,000 and \$100,000 equivalent, the procedures set forth in paragraphs 1, 2 (other than the second sentence of subparagraph 2(a)) and 5 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first two (2) contracts for works estimated to cost between \$75,000 and \$100,000 equivalent, the procedures set forth in paragraphs 1, 2 (other than the second sentence of subparagraph 2(a)) and 5 of Appendix 1 to the Guidelines shall apply.

(c) With respect to each contract for goods and works estimated to cost the equivalent of \$100,000 or more :

(i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2 (f), 2 (g) 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: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

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 estimated to cost less than \$100,000 equivalent per contract, may be comprise entirely of 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

Services for audits 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

Assistance for: (i) activities in the Tandjilé area and support to IECD (provided for by UNICEF); (ii) support to PD (provided by WHO/EDM); (iii) Contracting for Services activities (provided for by WHO/OSD); and (iv) each contract for small studies and IEC activities estimated to cost less than \$50,000 equivalent per contract up to an aggregate amount not to exceed \$200,000 equivalent 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. Individual Consultants

Services for coordination activities within the PCT, short-term and ad-hoc consultancies, lectures and small studies 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 and Terms of Reference

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 estimated to cost the equivalent of \$100,000 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 individual consultants estimated to cost the equivalent of \$50,000 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.

(c) With respect to each contract for consulting services, irrespective of their amounts, the terms of reference and selection process for consultants shall be furnished to the Association for its prior review and approval.

(d) With respect to the first two (2) contracts for the employment of consulting firms estimated to cost between \$50,000 to \$100,000 equivalent, 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.

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 Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. Project Implementation Manual, Performance Indicators and Reports

The Borrower shall:

(a) implement the Project in accordance with 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 and adversely affect the implementation of the Project or the objectives thereof;

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

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, no later than April 30 and October 31 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (b) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(d) review with the Association, not later than 4 weeks after the submission of the report referred to in paragraph (c) of this Section, or such later date as the Association shall request, the said report, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

2. PCT

The Borrower shall establish and maintain, until the completion of the Project, PCT in form and with functions satisfactory to the Association and with competent key staff (a coordinator, a management financial specialist, an accountant, a procurement specialist, an architect, a public health doctor and an assistant accountant) all with terms of reference, qualification and experience acceptable to the Association. PCT shall be responsible for coordinating the activities of Parts A, B, C and D of the Project as a whole and in close co-operation with the Steering Committee of the MOPH.

3. Steering Committee

The Borrower shall maintain, until the completion of the Project, within MOPH a Steering Committee in form and with functions satisfactory to the Association. The Steering Committee shall be responsible for planning and supervising the day-to-day activities of Parts A, B, C and D of the Project.

4. CBC

The Borrower shall maintain, until the completion of the Project, CBC in form and with functions satisfactory to the Association. CBC shall be responsible for planning and supervising Part E of the Project.

5. Cellule Economique

The Borrower shall maintain, until the completion of the Project, the Cellule Economique in form and with functions satisfactory to the Association. The Cellule Economique shall be responsible for managing Part E of the Project.

6. Consultative Meetings

The Borrower through the Steering Committee shall continue to organize two consultative meetings each year with donors and other sector partners in order to discuss the implementation follow-up of the NHP in accordance with the twelve orientations defined in the Program.

7. Midterm Review

The Borrower shall:

(a) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about April 30, 2003, a Midterm Review report integrating the results of the monitoring and evaluation of activities performed under the Project, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of

the objectives thereof during the period following such date;

(b) review with the Association, by May 31, 2003, or such later date as the Association shall request, said evaluation report referred to in paragraph (a) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter;

(c) carry out jointly with the Association and other stakeholders no later than June 30, 2003 a midterm review which shall, inter alia: (i) assess the overall progress in the implementation of the Project with due regard to the performance indicators; (ii) review the coordination of the activities implemented under the Project; and (iii) review execution of the issues covenanted under paragraphs 6, 7 and 8 of this Section; and

(d) prepare, not later than four (4) weeks after the Midterm Review, an action program, acceptable to the Association, for further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

8. Other Project Implementation Issues

The Borrower shall:

(a) ensure that consolidated budgets are prepared at PHO level from fiscal year 2003 onwards;

(b) submit to the Association by November each year a report on the status of contracts for the delivery of services contracted out to private operators; and

(c) carry out at least two Beneficiary Assessments, one during Fiscal Year 2002 and the other during Fiscal Year 2005.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means, in respect of Special Account I for Parts A, B, C and D of the Project, Categories (1) through (6) as set forth in paragraph 1 of Schedule 1 to this Agreement; and in respect of Special Account II for Part E of the Project, Categories (4) to (6) as 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 in respect of Special Account I for Parts A, B, C and D of the Project; and to \$400,000 in respect of Special Account II for Part E of the Project, to be withdrawn from the Credit Account and deposited

into the respective Special Accounts pursuant to paragraph 3 (a) of this Schedule; provided, however that:

(i) in respect of Special Account I, for Parts A, B, C and D of the Project, unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to US\$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 4,000,000; and

(ii) in respect of Special Account II for Part E of the Project, unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to US\$200,000 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 400,000.

2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 respective 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 respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective 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 respective 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 respective 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 respective 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 any 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 for Special Account I (in respect of Parts A, B, C and D of the Project) and Special Account II (in respect of Part E of the Project), respectively, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, in respect of Parts A, B, C and D on one hand, and Part E on the other hand, 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 for Parts A, B, C and D of the Project on one hand, and Part E of the Project, on the other hand, 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 respective 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 any 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 respective 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 any 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 any 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 Accounts.

(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.

