

CREDIT NUMBER 2098-TA

Development Credit Agreement

(Health and Nutrition Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 7, 1990

CREDIT NUMBER 2098-TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 7, 1990, between UNITED REPUBLIC OF TANZANIA (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 Borrower has requested from the Swiss Confederation a non-reimbursable contribution (the Swiss Contribution) in an amount approximately equivalent to \$12,200,000 to assist in financing Part C of the Project on the terms and conditions set forth in an intergovernmental agreement to be entered into between the Borrower and Switzerland; and

(C) the Borrower intends to obtain from the Kingdom of Denmark, through the Danish International Development Association (DANIDA), a grant (the DANIDA Grant) in an amount approximately equivalent to \$1,300,000 to assist in financing the Project;

(D) the Borrower intends to obtain from the Kingdom of Belgium a grant (the Belgian Grant) in an amount approximately equivalent to \$1,700,000 to assist in financing the Project;

(E) the Borrower intends to obtain from the United Nations Fund for Population Activities (UNFPA), a grant (the UNFPA Grant) in an amount approximately equivalent to \$700,000 to assist in financing the Project;

WHEREAS the Association has agreed, on the basis,

inter alia of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

(a) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(b) "MOH" means the Borrower's Ministry of Health;

(c) "MLG" means the Borrower's Ministry of Local Government, Community Development, Cooperatives and Marketing;

(d) "CMS" means the Borrower's Central Medical Stores within MOH;

(e) "PHC" means Primary Health Care;

(f) "PHN" means Population, Health and Nutrition;

(g) "TCPD" means the Tanzanian Council for Population and Development;

(h) "TFNC" means the Tanzania Food and Nutrition Centre;

(i) "PSN" means the Program Support Network in MLG;

(j) "DMDT" means the Department of Manpower Development and Training in MOH;

(k) "PCC" means the Project Coordination Committee to be established by the Borrower under the Project;

(l) "Basic Package" means the basic package of PHC inputs for the initial implementation of the revised PHC Strategy in five of the ten selected districts under Part B of the Project; and

(m) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated June 22, 1989, and July 14, 1989, 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 thirty-six million one hundred thousand Special Drawing Rights (SDR 36,100,000).

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 two special accounts (the MOH Special Account and the MLG Special Account) in its Central Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1996, 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 June 15 and December 15

in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 15 and December 15 commencing June 15, 2000, and ending December 15, 2029. Each installment to and including the installment payable on December 15, 2009, 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 F@rant 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 Kingdom of Great Britain and Northern Ireland 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 Parts A.1 through A.4 of the Project through MCH, Part A.5 of the Project through the Planning Commission and Parts B and C of the Project through MLG, with due diligence and efficiency and in conformity with appropriate administrative, financial and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall

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

Section 3.03. The Borrower shall by: (a) December 31, 1991, furnish to the Association on its review and comments, the draft health manpower plan under Part A of the Project; and (b) July 1, 1992 commence implementation of the health manpower plan taking the Association's comments into account.

Section 3.04. The Borrower shall by July 1, 1991: (a) increase the share of its recurrent budget allocated to the health sector to a level satisfactory to the Association; and (b) adopt an improved incentives package for health sector staff.

Section 3.05. The Borrower shall, by April 30, 1992, furnish to the Association for its review and comments, a plan of action for long-term financing of the health sector, and promptly thereafter commence implementation of such plan of action, taking the Association's comments into account.

Section 3.06. The Borrower shall, by July 1, 1992, review with the Association the study of the domestic pharmaceuticals industry under Part A of the Project and agree on a plan of action based on such review.

Section 3.07. The Borrower shall by May 31 in each year agree with the Association on adequate budgetary provision for the Project and ensure that these funds are allocated in a timely manner.

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 nine 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
- (ii) 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 expenditures, 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) The Swiss Contribution Agreement shall have failed to become effective by June 30, 1991, or such later date as the Association may agree, provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

- (b) (i) Subject to subparagraph (ii) of this paragraph the right of the Borrower to withdraw the proceeds of the Swiss Contribution, DANIDA Grant, Belgian Grant or UNFPA Grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:
 - (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the

Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

ARTICLE VI

Termination

Section 6.01. 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 finance 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
P.O. Box 9111
Dar es Salaam
United Republic of Tanzania

Cable address:	Telex:
TREASURY Dar es Salaam	41329

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.	440098 (ITT) 248423 (RCA) or 64145 (WUI)

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.

UNITED REPUBLIC OF TANZANIA

By /s/ Ali A. Karume
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
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) Part A of the Project:		
(a) Civil works:		100% of foreign expenditures and 85% of local expenditures
(i) for Part A.2 of the Project	760,000	
(ii) for Part A.31 of the Project	31,500,000	
(b) Vehicles, furni- ture, equipment and supplies	2,270,000	100% of foreign expenditures and 85% of local expenditures
(c) Consultants' services and training	1,290,000	100%
(d) Eligible travel and per them expenditures	110,000	100%
(e) Pharmaceuticals	21,190,000	100%
(f) Overseas training	200,000	100%
(2) Part B of the Project:		
(a) Civil works	1,820,000	100% of foreign expenditures and 85% of local expenditures
(b) Vehicles, furni- ture, equipment and supplies	4,390,000	100% of foreign expenditures and 85% of local expenditures
(c) Consultants' services and training	530,000	100%
(d) Eligible travel and per them expenditures	230,000	100%

(3)	Refunding of Project Preparation Advance	380,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(4)	Unallocated	1,430,000	
	TOTAL	36,100,000	

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) "eligible travel and per them expenditures" means incremental travel and per them for activities under Parts A.1 (a), A.1 (b) and B of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) payments made for expenditures under Category (1) (a) (ii) until the Borrower has adopted a revised institutional structure for CMS satisfactory to the Association and the Association is satisfied with the plan of action for the rehabilitation of CMS;

(c) payments made for expenditures incurred in any particular district from Categories (2) (a) through (2) (d), except payments for expenditures with respect to the Basic Package, until: (i) the Borrower has complied with the provisions of paragraph 4 (d) of Schedule 4 to this Agreement; and (ii) the Association has approved the district health plan for the district concerned; and

(d) payments Trade for expenditures under Category (1) (f) until the Borrower has complied with the provisions of paragraph 2 (c) of Schedule 4 to this Agreement.

4. (a) No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Credit allocated to Category (1) (e) in the table in paragraph 1 above after the aggregate of the proceeds of the Credit withdrawn from the Credit Account for said Category (1) (e) and the total amount of such commitments shall have reached the equivalent of SDR 7,570,000 unless the Association shall be satisfied with the evidence furnished by the Borrower on the progress in the implementation of reforms in the pricing, financing and budgeting, and capacity-building in the procurement of pharmaceuticals; and (b) no further withdrawals shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Credit allocated to Category (1) (e) in the table in paragraph 1 above after the aggregate proceeds of the Credit withdrawn from the Credit Account for said Category (1) (e) and the total amount of such commitments shall have reached the equivalent of SDR 14,380,000 unless the Association shall be satisfied with

the evidence that the Borrower has commenced implementation of the resource mobilization measures for the health sector included in the plan of action referred to in Section 3.05 of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to support the Borrower's efforts to raise the quality, coverage and effectiveness of family planning, nutrition and basic health services in urban and rural areas.

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 National PHN Systems

1. Health Planning, Policy Formulation and Information System

(a) Strengthening of the planning and policy formulation capability of MOH, through staff training and the acquisition of equipment and supplies for the Planning Department of MOH;

(b) carrying out policy oriented studies on the long-term financing options of the health sector and the financial and economic feasibility of the domestic pharmaceuticals industry;

(c) establishment and implementation of an integrated health information system at the central, regional and district levels, including acquisition of necessary computers, software and supplies, and the training of staff; and

(d) strengthening Project Coordination in MOH.

2. Manpower Development and Training

(a) formulation of a manpower plan for the health sector;

(b) strengthening of DMDT through its reorganization including the addition of an inspectorate, the training of staff and acquisition of equipment and supplies;

(c) expansion of in-service training of health workers at the district level, including acquisition of equipment, teaching materials and transportation; and

(d) upgrading of five training schools to enable them to function as zonal training centers for the training of district health teams.

3. Pharmaceutical and Medical Supply System

(a) Acquisition and essential pharmaceuticals and medical supplies.

(b) reform of the pricing, financing, budgeting and procurement systems for pharmaceuticals and medical supplies;

(c) formulation of a master plan of CMS;

(d) rehabilitation of the CMS and strengthening of the CMS maintenance system through acquisition of

supplies and training of maintenance staff based on the CMS master plan; and

(e) training of CMS staff in management and procurement.

4. Micro-Nutrient Deficiency Control Programs

Support to the Borrower's five-year programs to combat iron and Vitamin A deficiencies through training, promotion and production of iron and Vitamin A-rich foods, public education, laboratory development and support for research.

5. National Population Policy

Support for TCPD and its secretariat to oversee the implementation of the Borrower's National Population Policy, including the training of staff, acquisition of equipment and supplies, renovation of office space, research on population and the creation of a National Population Information Center.

Part B: Rural Primary Health Care

Implementation of the revised PHC Strategy in ten selected districts involving:

(1) community mobilization for PHC activities at the village level and support to village PHC initiatives, including, inter alia, nutrition programs, rehabilitation of health facilities and improved water supplies;

(2) strengthening of district PHC Systems based on District Health Plans, including training of the district management team in community mobilization, management planning and financial control, acquisition of vehicles for the DMOs and appropriate forms of transportation for other key staff, acquisition of supplies and furniture, rehabilitation of facilities and strengthening of maintenance services;

(3) strengthening of the District Health Referral System, including the rehabilitation of high priority facilities in five of the selected districts; and

(4) management, monitoring and evaluation of above activities by PSN.

Part C: Urban Primary Health Care

Implementation of a comprehensive program of urban PHC in the Dar es Salaam Region, focusing on:

(1) strengthening of PHC management and health information system in Dar es Salaam, including training of the Dar es Salaam City Medical Officer of Health and three DMOs in management, planning and financial control, the provision of office space and the acquisition of vehicles, equipment and supplies;

(2) strengthening of community participation and district PHC committees at village, ward and district level, through training of members in PHC strategy, acquisition of vehicles and support to urban community PHC initiatives;

(3) rehabilitation of the basic urban health network, including dispensaries, health centers and district hospitals in the Dar es Salaam area;

(4) establishment of an effective urban health maintenance system;

(5) construction of a limited number of PHC facilities in under-served areas of Dar es Salaam;

(6) acquisition of basic diagnostic equipment and medical supplies for all health facilities in Dar es Salaam; and

(7) carrying out of operations research on key health related areas, including nutritional interventions targeted to women and children in low-income households.

* * *

The Project is expected to be completed by December 31, 1995.

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 1985 (the Guidelines).

2. To the extent practicable, contracts for civil works shall be grouped in bid packages estimated to cost the equivalent of \$250,000 or more each.

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 Tanzania 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 I 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. Civil works for Part A of the Project estimated to cost less than the equivalent of \$250,000 per contract, up to an aggregate amount not to exceed the equivalent of \$2,000,000, and supplies estimated to cost less than \$100,000 per contract, up to an aggregate amount not to exceed the equivalent of \$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. Goods estimated to cost less than the equivalent of \$100,000 per contract, up to an aggregate amount not to exceed the equivalent of \$3,100,000, may be procured under contracts awarded on the basis of comparison of

price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Civil works under Part B of the Project, up to an aggregate amount not to exceed the equivalent of \$400,000, may be carried out by force account in the Districts concerned.

Part E: Review by the Association of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the respective 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 Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

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

Section II. Employment of Consultants

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.

SCHEDULE 4

Implementation Program

Project Coordination

1. (a) In order to coordinate Project activities, the Borrower shall maintain until completion of the Project, a Project Coordination Committee, comprising representatives of MOH, MLG, MOF, the Planning Commission, TFNC and the Dar es Salaam City Council, and chaired by the Permanent Secretary of MOH. The PCC shall meet at least once every quarter to review progress in implementing the Project and resolve any outstanding issues.

(b) The Borrower and the Association shall by May

31, in each year undertake a comprehensive annual joint review of the Project.

2. Part A of the Project

(a) Part A of the Project shall be managed by MOH and a project coordinator from the MOH Planning Department shall coordinate Project implementation. He shall be assisted by an accountant and a procurement officer with qualifications satisfactory to the Association. The Project Coordinator shall liaise with the Planning Department for Part A.1, DMDT for Part A.2, CMS and the Department of Hospital Services for Part A.3 and TFNC for Part A.4.

(b) The Borrower shall by July 1, 1993, strengthen the MOH Planning Department by a net increase of six staff, filling the existing vacancies for a Public Health Specialist, Senior Economist, Senior Statistician, Epidemiologist, Health Economist and Economist.

(c) The Borrower shall adopt a plan of action for the strengthening of DMDT, satisfactory to the Association, which shall include, inter alia, the addition of an inspectorate, the timely appointment of suitably qualified staff to fill the positions of inspector and of head of the Basic Education (Allied Health) Unit, the clear delineation of responsibilities among staff for technical, logistic and administrative functions, and a timetable for upgrading staff skills to suit the DMDT's enhanced responsibilities.

(d) The Borrower shall ensure that candidates for external training under Part 2 (b) of the Project shall be selected in accordance with criteria satisfactory to the Association.

(e) TFNC shall coordinate the other agencies involved in the execution of the micro-nutrient deficiency control programs under Part A.4. The Borrower shall by December 31, 1992, undertake a mid-term evaluation of the programs, according to protocols acceptable to the Association, and review the results of the evaluation with the Association.

(f) The PHC Secretariat, reporting to the Chief Medical Officer shall be responsible for preparing and refining the PHC strategy.

3. Part B of the Project

(a) Part B of the Project shall be managed by MLC and a project coordinator from the Department of Local Government shall be responsible for management, monitoring and evaluation of Part B of the Project and shall head the PSN. He shall be assisted by an accountant and a procurement officer whose qualifications shall be satisfactory to the Association. The Borrower shall by December 31, 1990, appoint a community development specialist and assign a civil engineer from the Ministry of Works to PSN, all with qualifications satisfactory to the Association. The primary medical services unit within MOH shall be responsible for providing technical guidance to PSN and shall assign a public health specialist in the unit, on a full time basis to assist PSN in implementing Part B of the Project.

(b) Execution of Part B shall be the responsibility of the ten district governments. The DMO in each district shall take overall responsibility for supervising implementation.

4. (a) The Borrower shall by December 31, 1990, agree with the Association on:

- (i) the revised PHC Strategy;
- (ii) guidelines for the rehabilitation of the district health referral system in the ten selected districts;
- (iii) the list of criteria for evaluating the performance of districts under the Project; and
- (iv) guidelines for the preparation of district health plans.

(b) The Borrower shall by November 30 in each year, for each of the ten selected districts furnish to the Association for its approval, the district health plans for the forthcoming year, developed in accordance with the agreed guidelines. During the first two years of Project implementation, as the ten districts will be in different stages of starting up, this provision shall be waived, although the Borrower shall still seek the Association's approval prior to the implementation of such plans.

(c) In order to facilitate the implementation of Part B of the Project, the Borrower shall maintain in each of the ten selected districts an account, to be called Account No. 6 through which funds for Part B of the Project will pass with the DMO as the first signatory.

(d) The Borrower shall, in each selected district, appoint an Officer in Charge of the district hospital, reporting to the DMO, thereby releasing the DMO from the day-to-day management of the hospital.

(e) The Borrower shall: (i) by June 30, 1991, agree with the Association on protocols to be used in evaluating the implementation of the revised PHC Strategy; and (ii) by December 31, 1992, undertake a mid-term evaluation of the implementation of the revised PHC strategy, according to such protocols acceptable to the Association, and review the results of such evaluation with the Association.

5. Part C of the Project

The Borrower shall implement Part C of the Project in accordance with the terms of the intergovernmental agreement referred to in paragraph B of the Preamble to this Agreement.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Category (1) (a) through (e) (for the MOH Special Account) and Category (2) (a) through (d) (for the MLG Special Account) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,250,000 or the MOH Special Account and \$750,000 for the MLG Special Account to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Accounts 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 Accounts have been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Accounts 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 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 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 Accounts such amounts 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 Accounts 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 Accounts, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

(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 respective Special Accounts 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 Accounts: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (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 Accounts (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 respective Special Accounts 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 Accounts 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 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.

