

CONFORMED COPY

CREDIT NUMBER 2525 YEM

Development Credit Agreement

(Family Health Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 6, 1993

CREDIT NUMBER 2525 YEM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 6, 1993, between the REPUBLIC OF YEMEN (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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;

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

(b) "PMO" means the Project Management Office established and operating within the MOPH pursuant to the Borrower's Ministerial Directive No. 2074 dated November 11, 1989;

(c) "WHO" means the World Health Organization;

(d) "National Health Policy" means the statement of health policies, strategies, and medium term program issued from time to time by the MOPH;

(e) "Health Information System" means the unified Health Information System to be established by the Borrower for the collection and compilation of health statistical data pursuant to the plan defined for such purposes by a MOPH task force;

(f) "primary health care" means essential health care based on practical, scientifically sound and socially acceptable methods and technology made universally accessible to individuals and families in the community, as defined in the Declaration of Alma-Ata of 1978;

(g) "salaries" means salaries of additional staff required for the facilities to be upgraded under Part A of the Project and for the institutional strengthening of the MOPH Directorate-General for Health Education under Part B (2) (a) of the Project;

(h) "operation and maintenance" means operation and maintenance of medical facilities to be constructed, rehabilitated and upgraded under the Project through the provision of spare parts, fuel, services, materials, and equipment;

(i) "Essential Drugs List" means the list of pharmaceutical products to be developed by the Borrower pursuant to Section II (3) of Schedule 4 hereto;

(j) "essential drugs" means the essential drugs included in the Essential Drugs List;

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

(l) "Fiscal Year" or "FY" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period commences on January 1 and ends on December 31 in each calendar year.

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 eighteen million eight hundred thousand Special Drawing Rights (SDR 18,800,000).

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, works, and services required for the Project described in Schedule 2 to this Agreement and to be financed out of

the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in its Central Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2000 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 (60) 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 or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 1 and September 1 in each year.

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

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

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through the MOPH with due diligence and efficiency and in conformity with appropriate administrative, financial, public health, and engineering practices, and shall provide through budgetary allocations, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall take all actions necessary to promptly make available out of its own resources to the MOPH the funds necessary to meet a part of the cost of essential drugs under the Project.

(c) Without limitation upon the provisions of paragraphs (a) and (b) 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.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six (6) months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall

from time to time reasonably request.

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

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

ARTICLE V

Effective Date; Termination

Section 5.01. The date one hundred eighty (180) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representatives of the Borrower; Addresses

Section 6.01. The Minister of Planning and Development of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Planning and Development
P.O. Box 175
Sana'a
Republic of Yemen

Cable address:

CENPLAN
Sana'a

Telex:

2266 CENPLAN YE

For the Association:

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

Cable address:Telex:

INDEVAS	248423 (RCA)
Washington, D.C.	82987 (FTCC)
	64145 (WUI) or
	197688 (TRT)

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

REPUBLIC OF YEMEN

By /s/ Moxsin Alaini
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Caio Koch-Weser
Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works:		
(a) Construction and rehabilitation	5,720,000	100% of foreign expenditures and 50% of local expenditures
(b) Engineers' and architects' fees	320,000	100%
(2) Equipment, vehicles, furniture and materials	4,230,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Pilot activities	640,000	100%
(4) Consultants' services	920,000	100%
(5) Studies	140,000	100%
(6) Fellowships	1,410,000	100%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(7) Local training	640,000	100% of foreign expenditures and 50% of local expenditures
(8) Essential drugs:		
(a) For FY 1995	990,000	100%
(b) For FY 1996	850,000	100%
(c) For FY 1997	710,000	90%
(d) For FY 1998	640,000	80%
(e) For FY 1999	540,000	70%
(9) Unallocated	1,050,000	
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TOTAL	18,800,000 =====	

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, works, or services supplied from the territory of any country other than that of the Borrower; and

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

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

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in implementing a national population policy targeted at reducing fertility and maternal and infant mortality. To this end, the Project aims to improve access to, and the quality of, family planning and maternal and child health services within the primary health care system, and generally enhance management effectiveness in the health sector.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Strengthening of Primary Health Care Services

Carrying out in selected rural areas of a program to improve the quality of primary health care services, in particular family planning and maternal and child health services, so as to demonstrate effective referral and supervision systems and explore, on a pilot basis, alternative methods of delivering health services to areas outside the health service network, consisting of:

1. Strengthening of the quality of delivery of services in selected district hospitals, through the rehabilitation of about seven (7) existing health facilities to district hospitals, and

provision of: (i) medical equipment and furniture; (ii) two (2) ambulances per district; (iii) technical assistance in management of obstetrical emergencies, blood banking, and operating rooms; (iv) training of laboratory technicians in blood testing and blood banking management and promotion and collection of blood donations; and (v) fellowships, all as required for the activities included in this Part A (1).

2. Improvement of the infrastructure of primary health care facilities, through the rehabilitation of about thirty (30) health facilities to health centers and about seventy-six (76) health units, construction of living headquarters, and provision of medical equipment and furniture as required for the activities included in this Part A (2).

3. Development of a program for the suitable management of primary health care services at the district level and the effective operation of a referral system between primary health care services facilities and district hospitals, through the: (i) establishment of a district management team (DMT) in each district; and (ii) provision of equipment, including vehicles, technical assistance, and training, as required therefor.

4. Implementation of two (2) pilot operations on delivery of health services in remote communities and community participation in health services' delivery, and, to this end, provision of technical assistance, including consultants' services, equipment, and related materials.

Part B: Strengthening of Health Care Training and Health Education

1. Carrying out, in selected districts, of a comprehensive program targeted at developing and enhancing training programs for nurses, midwives, and medical assistants, with a view to reinforcing the capacity of training institutes and increasing the availability of qualified manpower, including:

(a) Enhancement of preservice training provided in health manpower institutes (HMIs), through: (i) construction of five (5) additional classrooms at both the Taiz and Hodeida HMIs, and provision of equipment and furniture as required in connection therefor; (ii) provision of training equipment and materials to existing HMIs; (iii) provision of technical assistance to review and revise the national training curricula of primary health care; and (iv) provision of relevant fellowships, especially for HMIs instructors.

(b) Improvement of inservice training, through the provision of: (i) technical assistance to develop curricula for continuing education programs and training programs to be provided by training and supervision teams (TSTs); (ii) vehicles for seven (7) TSTs; (iii) training materials for continuing education courses; and (iv) related study visits.

(c) Strengthening of induction training, through the provision of training in administrative and operational procedures and performance requirements of primary health care facilities, and related study visits.

2. Development of a plan to support and improve the delivery, and effectiveness of, the MOPH program on media-borne messages in maternal health and women's participation in the health sector and health education messages through interpersonal components, comprising:

(a) Carrying out of activities at the central level of the Borrower's territory, including: (i) strengthening of the institutional capabilities of the MOPH Directorate-General for Health Education, through the provision of: (A) technical assistance in research and evaluation techniques; (B) fellowships; and (C) one (1) scriptwriter, one (1) technical director, and one (1) researcher;

(ii) implementation of a program for delivery of health messages through interpersonal means, through the provision of: (A) technical assistance in interpersonal communication program development; (B) related study visits; (C) materials for the development of manuals for training; and (D) training of communication agents.

(b) Carrying out of activities at the governorate level of the Borrower's territory, comprising: (i) strengthening of the television production capacity of the Aden, Hodeida, and Hadramout health education offices, through the provision of television production and related equipment, including transport vans; and (ii) reinforcement of the governorates' institutional capabilities, through the provision of training in health education administration and supervision.

Part C: Improvement of Management and Logistics of the Health Sector

Carrying out of a set of key interventions aimed at improving the management of the health sector, including:

1. Expansion of the Borrower's Health Information System to sub-governorate areas of the Borrower's territory not included in the pretesting activities carried out thereunder, and implementation of the computerized system at the central and governorate level of the Borrower's territory, encompassing provision of: (i) training workshops on the use of standardized forms; (ii) training on computer applications and statistical analysis; (iii) minor repairs at governorate offices necessary for the installation of computers; (iv) consultant technical assistance in, and fellowships for, software development and statistical analysis; and (v) computer hardware and software as required for the MOPH central and governorate health offices.

2. Strengthening of the research capabilities of the MOPH through the provision of: (i) equipment and materials for the creation of a document center; (ii) fellowships for the staff of the Research Unit; and (iii) technical assistance for: (A) defining a baseline data and monitoring indicators; and (B) carrying out of studies on utilization rates, increased women's participation as health providers, and related themes.

3. Strengthening of the planning and implementation capabilities of the MOPH Directorate of Pharmaceutical and Medical Supplies to support the logistics development component of the Borrower's National Pharmaceutical Program, entailing:

(a) Provision of: (i) technical assistance for the development of a master plan for the distribution of drugs, medical equipment and other medical supplies, a training program in drug quantification, and a manual on drug and medical equipment procedures; (ii) technical assistance to review local drug production capacity, assess prepacking drugs, and examine the feasibility of cost sharing arrangements for pharmaceuticals; (iii) training fellowships; and (iv) training on the basis of the results of the technical assistance carried out under this Part (3) (a).

(b) Provision of minor repairs at the central drug warehouses in Sana'a and Aden, warehousing equipment, and about thirteen (13) delivery trucks for said warehouses and medical stores in governorates where Project districts are located, all to improve materials handling.

(c) Provision of essential drugs, including family planning drugs, and consumables in kits.

4. Strengthening of the procurement capabilities of the Directorate of Purchasing and Storage within the MOPH Directorate General of Finance, through the provision of: (i) technical assistance for organizing and computerizing procurement procedures, accounting, contract administration, and record-keeping procedures; (ii) study visits, including courses on international procurement

and contracting; and (iii) computer hardware and software.

5. Reinforcement of the facilities maintenance capabilities of the MOPH Directorate General of Maintenance, comprising the provision of: (i) technical assistance to assist in the design of preventive maintenance and repair procedures, record keeping and inventory control, and planning, budgeting and scheduling; (ii) fellowships in maintenance management; and (iii) two (2) mobile units, equipment maintenance and repair tool kits, computer hardware and maintenance management software.

* * *

The Project is expected to be completed by March 31, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. To the extent practicable, contracts for goods, including equipment, furniture, and essential drugs, shall be grouped into bid packages estimated to cost the equivalent of \$100,000 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 the Republic of Yemen may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Local Competitive Bidding

1. Contracts for works under the Project may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association. In the procurement of works in accordance with this Part C (1), the Borrower shall: (i) advertise the invitation to bid thirty (30) days in advance in at least one newspaper of general circulation in the Borrower's territory; and (ii) use a standard bidding document agreed to with the Association.

International Shopping

2. Items or groups of items for goods estimated to cost less than the equivalent of \$100,000 per contract, up to an aggregate amount equivalent to \$400,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three (3) suppliers from at least two (2) different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part D: Procurement of Blood Banking Equipment

Procurement of blood banking equipment for the activities to be undertaken under Part A (1) (iv) of the Project shall not be initiated until and unless the Association shall have approved the report referred to in Section III (5) (a) of Schedule 4 hereto.

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: (i) each contract for goods and works estimated to cost the equivalent of \$100,000 or more each; and (ii) the first ten (10) contracts for each goods and works, regardless of the cost thereof, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

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

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

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants: (i) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association; and (ii) who 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 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section,

the provisions of the Consultant Guidelines requiring prior Association's review or approval of budgets, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Association's review shall not apply to the terms of reference and short lists for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Association and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 4

Implementation Program

Section I. Institutional Arrangements

1. Project Coordination Committee

(a) The Borrower shall take all measures necessary to ensure that a Project Coordination Committee (PCC): (i) is established within the MOPH not later than June 30, 1994; and (ii) is maintained throughout the period of Project implementation, all under terms of reference and staffing, financial and reporting arrangements satisfactory to the Association. The PCC shall be responsible for overall coordination of Project activities, shall be headed by the Vice Minister of the MOPH, and shall include, from the MOPH, the Deputy Minister of Planning and Health Development, the Deputy Minister of Primary Health Care, the Director General of Human Resource Development, the Director General of the PMO, and a Technical Coordinator from the PMO to be appointed thereto not later than June 30, 1994; and a representative from the Ministry of Planning and Development.

(b) The PMO shall be assigned responsibility for the Secretariat of the PCC, and shall ensure the timely and organized implementation of Project activities. The Secretariat shall be specifically responsible, inter alia, for: (i) coordination and liaison between Project implementing agencies; (ii) organization between the MOPH and the Association of annual Project reviews and, during the third year of Project implementation, the mid-term Project review; (iii) collection and consolidation of reports under the Project, including financial audit reports, for submission to the concerned institutions; (iv) preparation, with the assistance of the Research Unit, of semiannual progress reports for submission to the Association each Fiscal Year not later, respectively, than March 1 and November 1, and the mid-term Project review report, not later than September 30, 1996; (v) administration of Project accounts, including preparation and submission of withdrawal applications to the Association and timely disbursement of the proceeds of the Credit to the implementing agencies; (vi) physical and financial monitoring of the Project, in accordance with indicators acceptable to the Association; and (vii) jointly with the Directorate General of Purchasing and Store, coordination of procurement, and monitoring of contracts for civil works and goods.

2. MOPH Services

Within the MOPH, the following departments shall have these specific responsibilities under the Project: (i) Public Health and Medical Services, under their respective Directors General, for Project implementation at the district level; (ii) Manpower Development, under its Director General, for implementation of Part B (1) of the Project; (iii) Health Education, under its Director General, for implementation of Part B (2) of the Project; (iv) Planning, Statistics, and Follow-up, under its Director General, for implementation of Part C (1) of the Project; (v) Research Unit, for monitoring implementation of studies to be carried out under the Project, and overseeing pilot operations under Part A (4) of the Project; (vi) Drugs and Supply Services, under its Director General, for implementation of Part C (3) of the Project; (vii) Maintenance,

under its Director General, for implementation of Part C (5) of the Project; and (viii) Purchasing and Supplies within the Directorate General of Finance, for assisting the PCC in procurement, on the basis of consultation with the concerned MOPH technical directorates.

Section II. Public Health Program

1. The Borrower shall, not later than June 30, 1994, prepare, in consultation with the principal parties concerned, an action plan, for submission to the Association, outlining measures to be undertaken for the establishment of a suitable procedure for the issuance of certification of primary health care workers. Thereafter, the Borrower shall take all measures necessary to ensure the prompt implementation of the said plan as approved by the Association.

2. The Borrower shall take all measures necessary to ensure: (i) not later than June 30, 1994, the further development of a national drug policy, acceptable to the Association, taking into consideration the recommendations of the WHO; and (ii) the inclusion of the said policy in the Borrower's National Health Policy to be submitted for deliberation and approval of the MOPH's Ministerial Council during the Fiscal Year 1994.

3. (a) The Borrower shall develop, or cause to be developed, with the assistance of the WHO, an Essential Drugs List, acceptable to the Association, on pharmaceutical products required to treat the most common and widespread health problems affecting the population in the Borrower's territory.

(b) The Borrower shall, not later than December 31, 1994, take all measures necessary to adopt the Essential Drugs List, and thereafter shall cause said List to be utilized by the MOPH for purposes of supplying essential drugs to the Borrower's public health facilities.

Section III. Project Implementation

1. The Borrower shall implement the Project in seven (7) districts to be selected among the following: Al-Said, Al-shihr, Baddan, Bait-Faqih, Harad, Khamfar, Khawlan, Lawdar, Maifwa, Maqbana, Marib, Qabaitah, Seyoun, Shamaitin, and Zabeed. The MOPH shall be responsible for selecting districts in accordance with selection criteria agreed upon with the Association, which shall include, inter alia, population size, availability of health infrastructure, human resources, and related social services, internal accessibility, suitability for demonstrational purposes, and potential for, or existence of, development activities, and shall submit for the Association's review and approval a proposal list of proposed districts. Thereafter, the list of districts selected for Project implementation shall be revised as shall have been agreed between the Borrower and the Association, upon submission of a request of the MOPH including the reasons for the proposed revision.

2. (a) The Borrower shall prepare and furnish for the Association's review and comment, a technical-financial report, in such detail and of such scope as the Association shall have reasonably requested: (i) not later than March 1 of each Fiscal Year, on expenditures incurred, and actions undertaken by the Borrower in carrying out the Project during the preceding Fiscal Year, including budgetary allocations necessary to meet a part of the cost of essential drugs; and (ii) not later than November 1 of each Fiscal Year, on projected expenditures to be incurred, and actions to be undertaken, during the following Fiscal Year, in carrying out the Project, including budgetary allocations necessary to meet a part of the cost of essential drugs. In the light of the findings of said reports, the Borrower shall promptly take all actions required to ensure the achievement of the objectives of the Project, taking into consideration the recommendations of the Association.

(b) Without limitation upon the provisions of paragraph (a) above, the Borrower shall, during the mid-term Project review, discuss and agree with the Association on a suitable action plan establishing follow-on activities to those to be carried out under Part A (4) of the Project.

3. The Borrower shall, not later than March 31, 1996, or three (3) months before the mid-term Project review, whichever occurs earlier, prepare and furnish to the Association, for its review and comments, a report, in such detail and of such scope as the Association shall have reasonably requested, for the purposes of carrying out the mid-term Project review.

4. The Borrower shall issue, or cause the MOPH to issue, not later than September 30, 1994, letters of invitation to consultants required for purposes of carrying out the relevant Project activities.

5. (a) The Borrower shall take all measures necessary to ensure that the consultants engaged for assisting in the organization of blood banks to be undertaken under Part A (1) (iii) of the Project shall identify proposed alternative measures to ensure and further the safety of blood collection and supply, under terms of reference satisfactory to the Association. To that end, the consultants shall initially prepare a report identifying and evaluating proposed alternatives, and making specific recommendations thereon.

(b) The Borrower shall promptly submit to the Association, for its review and approval, the report referred to in subparagraph (a) above, including its comments thereon.

6. The Borrower shall take all steps necessary, satisfactory to the Association, to ensure: (i) that in the selection of trainees and fellowship awardees under Parts A (1) and B (1) (a) (iv) of the Project, priority shall be given to women, staff and key managers from the districts covered under the Project; and (ii) upon completion of said training and fellowships, the delivery by the trainees and awardees of a minimum service period in the relevant governorate adequate to enable them to effectively utilize the training and fellowships received.

7. The Borrower shall:

(a) For the purposes of Part A (3) and A (4) of the Project, establish or cause to be established in each district, a district management team (DMT) consisting of one (1) physician, one (1) midwife, and one (1) medical assistant or health inspector. The DMT shall be responsible, inter alia, for providing inservice training and supervising primary health care facilities so as to ensure, at all times, maintenance and availability of staff and equipment.

(b) For purposes of Part B (1) (b) and (c) of the Project, establish or cause to be established at each relevant governorate health office, a training and supervision team (TST) responsible for carrying out supervisory and training activities.

8. The Borrower shall take all steps possible to ensure that the activities to be undertaken under Part C (3) of the Project are coordinated with the assistance of the WHO.

9. The Borrower shall take all steps necessary: (i) to ensure that the study on cost sharing arrangements for pharmaceuticals under Part C (3) (c) (ii) of the Project is completed before the mid-term Project review; and (ii) on the basis of the recommendations of such study, promptly prepare and adopt a plan of action, satisfactory to the Association, to implement a policy to recover the cost of essential drugs.

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4), (5), (6), (7) and (8) 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 \$500,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) Refunds to the Association made pursuant to 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.

