

CONFORMED COPY

CREDIT NUMBER 2626 CD

Development Credit Agreement

(Health and Safe Motherhood Project)

between

REPUBLIC OF CHAD

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 30, 1994

CREDIT NUMBER 2626 CD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 30, 1994, between REPUBLIC OF CHAD (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Association has received a letter dated May 14, 1994, from the Borrower describing a program of actions, objectives and policies designed to strengthen the management and operation of the Borrower's health sector (hereinafter called the Program), and declaring the Borrower's commitment to the execution of the Program;

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; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the 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) "CFA Franc" and "CFAF" mean the currency of the Borrower;
- (b) "CMA" means a construction management agency, satisfactory to the Association, employed by the Borrower to manage the construction activities under Part B.1 of the Project;
- (c) "CPA" means the central pharmaceutical purchasing agency (Centrale pharmaceutique d'achats), established by the Borrower under Part C.2 of the Project for the purchase and sale of essential drugs;
- (d) "District" means the health administrative districts established by MOPH to manage the delivery of health services;
- (e) "IEC" means health information, education and communication activities;
- (f) "IEC Division" means the Division de l'Information, Education et Communication within MOPH;
- (g) "MOPH" means the Borrower's ministry responsible for public health, the Ministry of Public Health;
- (h) "National Drug Policy" means the Borrower's national drug policy (Politique Nationale Pharmaceutique), adopted October 2, 1992;
- (i) "National Redeployment Plan" means the plan regarding the deployment of health personnel adopted by the Borrower in accordance with Section 6.01(a) of this Agreement;
- (j) "National Training Plan" means the plan regarding the training of health personnel adopted by the Borrower in accordance with Section 6.01(a) of this Agreement;
- (k) "PCT" means the Project Coordination Team, established in accordance with Section 6.01 (b) of this agreement to implement the Project;
- (l) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (m) "UNICEF" means the United Nations Children's Fund; and
- (n) "WHO" means the World Health Organization.

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 thirteen million one hundred thousand Special Drawing Rights (SDR 13,100,000).

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 CFA Francs a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 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 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 June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 1 and December 1 commencing December 1, 2004 and ending June 1, 2034. Each installment to and including the installment payable on June 1, 2014 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 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 with due diligence and efficiency and in conformity with appropriate administrative, financial and public health practices, and with due regard to ecological and environmental factors, 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 each fiscal year beginning before the Closing Date, the Borrower: (a) shall adopt an annual budget for the health sector which shall include a specific budgetary chapter for drugs and regional operating costs for health services (excluding personnel), and (b) shall thereafter implement such budget in a timely manner.

Section 3.04. The Borrower shall implement, in accordance with the schedule agreed upon with the Association, the National Redeployment Plan and the National Training Plan (as such plans may be modified from time to time with the consent of the Association), including the deployment of staff to the facilities constructed and/or rehabilitated under Part B.1 of the Project.

Section 3.05. The Borrower shall, following consultation with the Association, adopt not later than January 31, 1996 a three-year pharmaceutical plan, satisfactory to the Association, setting forth, inter alia, an action plan for the operation of MOPH's pharmacy division, budget requirements, and training programs for personnel.

Section 3.06. (a) The Borrower shall carry out, jointly with the Association, not earlier than October 1 and not later than November 30 of each year, a review of the progress made in carrying out the Project and the Program, including a review of: (i) progress reports, annual work programs, and budgets for the next year, (ii) training provided under the Project, (iii) procurement under the Project, (iv) the three-year pharmaceutical plan referred to in Section 3.05 of this Agreement, and (v) the status of Project monitoring indicators agreed upon with the Association.

(b) The PCT shall transmit to the Association, at least 30 days prior to the review described in paragraph (a) above, a report, in scope and detail satisfactory to the Association, describing the status of the items listed in such paragraph.

Section 3.07. (a) The Borrower shall carry out, jointly with the Association, not earlier than April 1, 1997 and not later than May 31, 1997, a mid-term review of the progress made in carrying out the Project and the Program. This review shall cover, among other things: (i) progress reports, annual work programs, and budgets for the next year, (ii) training provided under the Project, (iii) procurement under the Project, (iv) the operation of the CPA, including its potential capacity to support the distribution of pharmaceuticals to health facilities, and (v) the status of Project monitoring indicators agreed upon with the Association.

(b) The PCT shall transmit to the Association, at least 90 days prior to the mid-term review described in paragraph (a) above, a report, in scope and detail satisfactory to the Association, describing the status of the items listed in such paragraph and of Project and Program implementation generally. In this connection, the

PCT shall employ independent auditors, satisfactory to the Association, to conduct a financial and technical audit of the Project under terms of reference satisfactory to the Association.

(c) Based on such review, the Borrower shall promptly prepare an action plan, acceptable to the Association, for the further implementation of the Project and the Program, and shall thereafter implement such action plan.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, 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

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely that a situation has 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) MOPH has issued instruments setting forth a national plan for the redeployment of health personnel and a national plan for the training of health personnel, each in form and substance satisfactory to the Association;

(b) the Borrower (i) has established the PCT with terms of reference satisfactory to the Association, (ii) has established an accounting system and a financial management system for the PCT satisfactory to the Association, and (iii) has employed in the PCT a coordinator, an administrator, an accountant and a procurement officer, each with qualifications and experience and under terms of reference satisfactory to the Association;

(c) the Borrower has entered into two agreements with WHO, each in form and substance satisfactory to the Association, for carrying out Parts A.2 and C.1 of the Project, respectively;

(d) the Borrower shall have employed an independent auditor satisfactory to the Association, under terms and conditions (including a multi-year period of service) satisfactory to the Association;

(e) the Borrower has prepared bidding documents, satisfactory to the Association, for the procurement of the list of major civil works and goods agreed upon with the Association;

(f) the Borrower and the CMA have entered into an agreement, in form and substance satisfactory to the Association, regarding the management of the construction and rehabilitation activities under Part B.1 of the Project;

(g) the Borrower has entered into an agreement with UNICEF, in form and substance satisfactory to the Association, to assist in the execution of Part B.3 of the Project;

(h) the Borrower has established the CPA by instruments satisfactory to the Association;

(i) the Borrower has procured technical assistance to support the operations of the CPA, under procedures and terms and conditions satisfactory to the Association; and

(j) the Borrower has provided to the CPA sufficient facilities for the start-up phase of its operations and adopted a facilities expansion plan for the CPA, each 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

Representatives of the Borrower; Addresses

Section 7.01. The Minister for Planning and Cooperation of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Planning and Cooperation
BP 286
N'Djamena
Republic of Chad

Cable address:

MINPLAN
N'Djamena

Telex:

5329 KD

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA)
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 CHAD

By /s/ Favitsou Boulandi

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) Civil Works	3,050,000	100%

(2)	Pharmaceuticals	2,050,000	100%
(3)	Goods (other than pharmaceuticals and training materials)	2,830,000	100%
(4)	Consultants' Services	1,700,000	100%
(5)	Training and Training Materials	710,000	100%
(6)	Incremental Operating Costs	1,350,000	100%
(7)	Unallocated	1,410,000	
	TOTAL	13,100,000	=====

2. For the purposes of this Schedule, the term "incremental operating costs" means the cost of equipment and vehicle maintenance, office supplies, salaries for contract staff and other operating expenses incurred by the PCT, the IEC Division, the District health centers and the District hospitals in carrying out the Project.

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

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for goods, works and services not exceeding \$20,000 equivalent, 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 in increasing access to quality basic health, nutritional, and family planning services, and reducing infant, child and maternal mortality, and to improve the Borrower's management of 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: Health Sector Management

1. Implementation of the Borrower's program to decentralize health planning and management activities to the regions, including: (a) the development of mechanisms to ensure actual expenditure of budget allocations at the regional level, (b) the establishment of a standardized and simplified accounting system at the regional level, (c) the preparation of long-term financing plans for the regions, and (d) related training of MOPH and regional staff, and the staff of the Borrower's Ministry of Finance and Computerization.

2. Strengthening the quality of training of District health personnel through (a) the development and implementation of standardized modules for managerial and technical training programs addressing, inter alia, pre and post-natal care and child nutrition, and (b) strengthening the curricula of basic training courses at the Ecole Nationale des Agents Sociaux et Sanitaires.

3. Strengthening the institutional capacity of MOPH to develop and implement a nationwide health information, education and communication (IEC) campaign, and improving the implementation of IEC campaigns, including: (i) strengthening the design

and operational capacities of the IEC Division to design and implement IEC campaigns, (ii) training MOPH staff, (iii) conducting workshops, (iv) conducting studies to be used to design IEC campaigns, and (v) acquiring equipment to support implementation of IEC campaigns.

4. Strengthening the institutional capacity of MOPH's Bureau de Cooperation et Etudes to coordinate and manage donor assistance to the health sector.

Part B: Guera and Tandjile Assistance

1. Rehabilitation, construction and equipping of health facilities in the Guera and Tandjile regions, including: (a) rehabilitation of about 14 health centers, (b) rehabilitation of three District hospitals, (c) construction of about 44 health centers, (d) construction of one District hospital and related facilities, (e) rehabilitation and construction of facilities for District health teams, and (f) the provision and maintenance of medical equipment and vehicles.

2. Implementation of a skills-upgrading program for District health personnel to be deployed in health centers and hospitals in the Guera and Tandjile regions.

3. Improving the management and delivery of health services in the Guera and Tandjile regions, and strengthening community participation therein, through: (a) implementation of a community financing program (including cost-recovery) for the provision of health services and drugs, to be managed through local health committees, and (b) the provision to District health centers and hospitals of drugs, medical supplies and micronutrients.

Part C: National Drug Policy

1. Strengthening the capacity of MOPH's pharmacy division to plan and manage pharmaceutical programs in support of the National Drug Policy, including (a) the development of a pharmaceutical plan, (b) establishment of a drug registry reflecting existing pathological conditions, (c) analyzing the regulatory framework in light of the goals of the National Drug Policy, (d) periodic review of the list of essential drugs in light of demand, (e) strengthening the pharmaceutical inspection and quality control mechanisms, and (f) establishment of an information program regarding the use of essential drugs.

2. Improving the efficiency of the procurement and distribution to health facilities of essential drugs and medical supplies through the establishment and operation of a central pharmaceutical purchasing agency (CPA), including (a) the rehabilitation of office facilities, (b) the acquisition of equipment, an initial supply of essential drugs and medical supplies, and (c) training of staff.

* * *

The Project is expected to be completed by December 31, 1999.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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

(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 bid 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 and works 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 shall be grouped into bid packages estimated to cost the equivalent of \$250,000 or more.

3. Goods procured under this Part A shall be exempted from pre-shipment price inspection by a third party inspection firm.

Part B: Preference for Domestic Manufacturers

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

Part C: Preference for Domestic Contractors

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

Part D: Other Procurement Procedures

1. Items or groups of items (i) for works (except for the rehabilitation of three District hospitals and the construction of one District hospital) estimated to cost the equivalent of \$100,000 or less per contract, and for the rehabilitation of CPA's facilities, up to an aggregate amount equivalent to \$3,400,000, or (ii) for goods, up to an aggregate amount equivalent to \$300,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items for goods estimated to cost the equivalent of \$30,000 or less per contract, up to an aggregate amount equivalent to \$200,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for goods and works estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 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 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 (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 review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. The Borrower shall operate the PCT under terms of reference, and with staffing (including their qualifications and experience) satisfactory to the Association, and shall not replace the PCT's coordinator, administrator, accountant or procurement officer without the prior consent of the Association. The PCT shall be responsible for, inter alia: (i) the transmission to the Association in April and October of each calendar year of progress reports on project implementation, in detail satisfactory to the Association; and (ii) the organization of the annual project implementation reviews and the mid-term review referred to in Sections 3.06 and 3.07 of this Agreement.

2. In carrying out the Project, the Borrower shall adopt not later than October 30 of each year, and thereafter implement, an annual training program for the subsequent calendar year, satisfactory to the Association, which shall conform to the requirements of the National Training Plan (as such plan may be modified from time to time with the consent of the Association). For purposes of Part A.2 of the Project, the Borrower shall provide training in IEC subjects, resource and expenditure management, diagnostics and essential drugs treatment schemes.

3. The Borrower shall carry out Part A.1 of the Project in accordance with an implementation plan satisfactory to the Association, which shall provide, inter alia, for the participation of the District chief medical officers in the preparation of regional health budgets under the responsibility of the Delege Prefectorial de la Sante.

4. In carrying out Part A.3 of the Project, the Borrower: (a) shall operate the IEC Division under terms of reference and with staffing (including their qualifications and experience) satisfactory to the Association; and

(b) shall carry out Part A.3 of the Project in accordance with the operational plan developed by the IEC Division.

5. The Borrower shall operate the community financing program (including cost-recovery) under Part B.3 of the Project under terms of reference satisfactory to the Association, which shall provide for, inter alia: (a) phased introduction of the cost recovery program in coordination with the rehabilitation and construction activities under Part B.1 of the Project and the drug distribution activities under Part C of the Project, (b) representation on local health committees of community representatives and health personnel, (c) implementation of a monitoring program, and (d) UNICEF assistance for the execution of the program.

6. In carrying out Part C.1 (c) of the Project, MOPH shall prepare, not later than two years after the Effective Date, a report, in scope and detail satisfactory to the Association, reviewing the regulatory framework affecting pharmaceutical products and recommending modifications thereto to support the implementation of the National Drug Policy.

7. In carrying out Part C.2 of the Project, the Borrower shall:

(a) operate the CPA in accordance with detailed operational procedures acceptable to the Association, which shall provide, inter alia, for (i) the CPA to be responsible for centralizing the purchase of essential drugs, (ii) the CPA to employ competitive procedures for the purchase of essential drugs, (iii) the CPA to enjoy operational autonomy, promote its financial autonomy, employ a limited staff and otherwise reduce operational costs, (iv) the CPA to be operated on a not-for-profit basis, (v) the CPA to establish a computerized inventory management system, appropriate accounting practices, and adequate quality control systems, and (vi) the CPA to sell solely to public sector health centers and not-for-profit health centers;

(b) operate the CPA with staffing satisfactory to the Association, and, in this regard, employ a director and accountant within CPA, beginning not later than three months after the Effective Date, each with qualifications and experience and under terms of reference satisfactory to the Association and shall not replace such director or accountant without the prior consent of the Association;

(c) not modify, repeal or suspend the instruments establishing the CPA without the prior consent of the Association;

(d) subject the CPA to semiannual financial and management audits, in scope and detail satisfactory to the Association, by independent auditors satisfactory to the Association;

(e) establish a management board to oversee the activities of the CPA; such board shall operate under terms of reference satisfactory to the Association, which shall provide, inter alia, for representation thereon of MOPH, regional and District health committees, donor agencies and non-governmental organizations;

(f) adopt not later than June 30 of each year, and thereafter implement, a training program for CPA's staff for the subsequent academic year satisfactory to the Association; and

(g) the CPA shall occupy, not later than June 30, 1995, the facilities agreed upon with the Association.

8. The Borrower shall comply with its obligations, and shall cause WHO, UNICEF, and the CMA to comply with their respective obligations, under the agreements referred to in Section 6.01 of this Agreement. The Borrower shall not amend, waive or otherwise modify any provisions of any such agreements without the prior consent of the Association.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6) 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 into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

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

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

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

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

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

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of

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

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

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

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

(d) Refunds to the Association made pursuant to 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.

