

CONFORMED COPY

CREDIT NUMBER 1934 UG

(First Health Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 11, 1988

Credit Number 1934 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 11, 1988, between THE REPUBLIC OF UGANDA (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, being satisfied of 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 have the respective meanings therein set forth and the following additional terms have the following meanings:

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

(b) "U Sh" means Uganda shillings, the currency of the Borrower;

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

(d) "NALA" means the National Adult Literacy Association of Uganda;

(e) "NGO" means non-governmental organizations; and

(f) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated March 1, 1988, and May 13, 1988, 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 the Development Credit Agreement, an amount in various currencies equivalent to thirty million eight hundred thousand Special Drawing Rights (SDR 30,800,000).

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 (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be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 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, through the Bank of Uganda, a special account in a commercial 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.

(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 March 31, 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 a date sixty days (60) 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;

- (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 as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988, shall be applied as of July 1, 1988.

(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 semiannual installments payable on each June 1 and December 1, commencing December 1, 1998, and ending June 1, 2028. Each installment to and including the installment payable on June 1, 2008, 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 (5) consecutive years; and
- (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment

modification.

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MOH with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering 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 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, not later than December 31, 1988:

(a) with the assistance of a suitably qualified expert, prepare a national health plan; and

(b) submit to the Association a detailed action plan for the implementation of reforms of the organization and management of the health system.

Section 3.04. The Borrower shall, not later than December 31, 1989:

(a) submit to the Association a proposal, satisfactory to the Association, for the development and implementation of a referral system; and

(b) (i) submit to the Association a review of existing manpower in the health sector, including an optimal staffing and implementation plan for the sector; and

(ii) to the extent practicable, transfer excess staff to understaffed categories of the sector and provide training as appropriate.

Section 3.05. The Borrower shall, by December 1, 1988, submit to the Association evidence that the Borrower has secured the equivalent of not less than \$6,500,000 for the financing of the Project.

### ARTICLE IV

#### Financial Covenants

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

(b) The Borrower shall:

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

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

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

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified:

(a) Subject to paragraph (b) of this Section:

- (i) The right of the Borrower to withdraw the proceeds of any grant or loan 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) any such loan shall have become due and payable prior to the agreed maturity thereof.

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that:

(i) 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

(ii) 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

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has appointed a Project Coordinator with qualifications and experience satisfactory to the Association; and

(b) the Borrower has submitted to the Association an action plan, satisfactory to the Association, for the completion of the full set of documents, including drawings, site plans, specifications and bills of quantities, required for the rehabilitation of facilities under Part A of the Project.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Finance  
P.O. Box 8147  
Kampala  
Uganda

Cable address:

FINSEC  
KAMPALA

Telex:

61170

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.

THE REPUBLIC OF UGANDA

By /s/ Elizabeth Bagaaya-Nyabongo  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo  
Acting Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works:		100% of foreign expenditures and 90% of local expenditures
(a) Rakai Hospital	3,700,000	
(b) Other	12,700,000	
(2) Vehicles, equipment, materials and supplies for:		100% of foreign expenditures and 90% of local expenditures
(a) health and hygiene	200,000	
(b) other	7,600,000	
(3) Consultants' services	1,800,000	100% of foreign expenditures and 90% of local expenditures

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) Sub-projects for Ugandan NGOs	600,000	100% of foreign expenditures and 90% of local expenditures
(5) Training	600,000	100%
(6) Refunding of Project Prepara- tion Advance	400,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(7) Unallocated	3,200,000	
<b>TOTAL</b>	<b>30,800,000</b>	

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; and

(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.

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) any payments for expenditures under Category 1 (a) until the Borrower has submitted to the Association documentary proof showing that land, acceptable to the Association, has been made available for the construction of the hospital in Rakai District; and

(c) any payments for expenditures under Category 2 (a) unless the Borrower has submitted to the Association, for approval, detailed plans, satisfactory to the Association, for the implementation of the health and hygiene education component for a proposed water supply and sanitation project.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to:

(a) carry out urgent physical rehabilitation of selected health care facilities and build a hospital in the Rakai District;

(b) strengthen preventive health programs; and

(c) improve the internal efficiency as well as the long-term effectiveness of health care delivery.

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: Rehabilitation and Construction of Health Facilities



1. Rehabilitation of key areas of the Mulago Hospital in Kampala, including:

(a) continued reestablishment of the water supply, and installation and refurbishment of the sewage system;

(b) rehabilitation of elevators and living quarters of health staff;

(c) renovation and reequipping of kitchens and the central sterile supplies department;

(d) construction and equipping of a new electrical and mechanical workshop;

(e) construction of security fencing and repairing of roads and pavings;

(f) supply of drugs and consumable supplies; and

(g) training of hospital maintenance workers.

2. Rehabilitation of the Blood Transfusion Center in Kampala, including the acquisition of blood typing and screening equipment, cold storage facilities and vehicles.

3. Rehabilitation of the essential services of eight district hospitals, including the acquisition of equipment and the refurbishing of water supply and sewage systems.

4. Rehabilitation of about thirty rural health centers, including the acquisition of equipment, furniture and vehicles.

5. Construction of a new hospital of about 100 beds in the Rakai District, including the acquisition of furniture, equipment and supplies.

#### Part B: Health Education and Community Activities

1. Health Education Through:

(a) expanded use of the mass media and training of journalists and health education officers in newspaper, radio and television techniques;

(b) workshops for health education officers and village level workers, and production of health education materials for use by NALA;

(c) acquisition of program support equipment for MOH's Health Education Division;

(d) provision of health education support to the army;

(e) construction of lean-to-shelters; and

(f) studies.

2. Community Activities through the Development of:

(a) a community-based program for distribution of drugs and supplies, including condoms;

(b) a program of counseling and patient management to AIDS-infected patients, including assistance to their families; and

(c) a health and hygiene education program.

#### Part C: Strengthening the Delivery of Health Care

1. Strengthening the health planning unit of MOH.

2. Strengthening the management capability of MOH, hospitals and rural health facilities through management training and development programs, workshops and study tours.

3. Improvement of financial performance of the health care system through improved planning and budgeting, and alternative schemes for financing the health sector, including cost sharing with beneficiaries.

4. Support for programs and initiatives of Ugandan NGOs.

5. Strengthening of Project management and preparation of a follow-up project.

\* \* \*

The Project is expected to be completed by June 30, 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. Information, education and communication materials and supplies, and furniture and equipment shall be grouped together in bidding packages to the maximum extent practicable.

###### 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 Uganda 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. Civil works estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount not exceeding the equivalent of \$2,500,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Furniture, equipment, materials and supplies, estimated to cost less than the equivalent of \$100,000 per contract, up to an aggregate amount not exceeding the equivalent of \$600,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Information, education and communications materials and supplies, estimated to cost less than \$50,000 per contract, up to

an aggregate amount not exceeding the equivalent of \$250,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

4. Items or groups of items, estimated to cost less than the equivalent of \$10,000 per contract, up to an aggregate amount not exceeding the equivalent of \$250,000, may be procured under contracts awarded on the basis of comparison of price quotations from a list of at least three suppliers, in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

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

(a) With respect to each contract:

- (i) for civil works, estimated to cost the equivalent of \$200,000 or more; and
- (ii) for all other items, 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 contracts are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of such contracts required to be furnished to the Association pursuant to paragraph 2 (d) of Appendix 1 to the Guidelines shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contracts.

(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 contracts are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of such contracts, together with the other information required to be furnished to the Association pursuant to paragraph 3 of Appendix 1 to the Guidelines, 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 subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of 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 experts and 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.

## Implementation Program

### Project Coordination and Management

1. The Borrower shall coordinate the implementation of the Project through a Project Coordination Committee with the Permanent Secretary of MOH as Chairman, and comprising senior staff of MOH; representatives of the Ministries of Local Government, Justice, Finance, Planning and Economic Development, and Housing and Urban Development; the Project Coordinator; and the various coordinators representing agencies and units carrying out Project activities. The Secretariat of the Permanent Secretary of MOH shall be responsible for providing secretarial services, initiating follow-up actions and reviewing progress reports submitted for the Committee's approval.

2. The Project Implementation Unit (PIU) in the Planning Unit of MOH shall carry out day-to-day implementation of the Project and monitor the activities of the Health Education Unit, the organization, administration and management training programs, and the progress of civil works. PIU shall be headed by a Project Coordinator whose qualifications shall be satisfactory to the Association.

3. PIU shall, with effect from December 31, 1988, prepare and submit to the Project Coordination Committee, for approval, semiannual progress reports and annual implementation and work plans, and once they are approved, forward copies thereof to the Association.

4. MOH shall, not later than December 31, 1990, carry out a comprehensive review of progress made in the implementation of the Project and shall provide the Association with:

(a) details, satisfactory to the Association, on the financing of the health sector, including recurrent costs, to ensure that adequate funds are made available to sustain health services; and

(b) financial plans, with details on alternative schemes for the generation of resources, including cost recovery at the facilities to be rehabilitated under the Project, to ensure that such schemes are properly established and appropriately implemented.

### Part A of the Project

5. The Borrower shall finalize an action plan, satisfactory to the Association, for completion of the full set of documentation, drawings, site plans, specifications and bills of quantities for all rehabilitation works.

6. In order to improve the management and manpower standards of the facilities to be rehabilitated under the Project, the Borrower shall:

(a) during rehabilitation, carry out a manpower analysis and management study of each facility;

(b) submit staffing resources plans, satisfactory to the Association:

(i) for each facility to be rehabilitated under the Project, not later than June 30, 1989;

(ii) for the new electrical and mechanical workshop, not later than December 31, 1989; and

(c) ensure that the establishment of staffing standards, elimination of redundant positions and workers, and redeployment of staff is finalized by not later than the date of completion of

physical works.

Part B of the Project

7. The Borrower shall, not later than December 31, 1988, appoint a Health Education Coordination Committee, to be chaired by MOH's Director of Medical Services, and comprising representatives of other divisions of MOH, representatives of the Ministries of Education, Information and Broadcasting, and the New Vision and Munno newspapers.

Part C of the Project

8. (a) The Borrower shall carry out studies:

- (i) to identify the correct staffing of MOH facilities at all levels and to identify training and retraining needs;
- (ii) to develop health information and management systems;
- (iii) on the efficiency and effectiveness of the health system; and
- (iv) on the establishment of community-based distribution systems for drugs and supplies, including condoms.

(b) These studies shall be carried out at the rate of one each year, with effect from the first year of Project implementation.

(c) The Borrower shall submit to the Association, for its review and comments, copies of each of the studies referred to in subparagraph (a) above within six months of completion.

9. (a) The Borrower shall, not later than December 31, 1989, establish management committees for each hospital and health center, with functions, satisfactory to the Association, including responsibility for periodic overseeing of, and assistance to, each facility and for generating additional funding through, inter alia, the introduction of alternative financing schemes, including cost sharing, upon completion of rehabilitation works.

(b) The membership of such management committees shall be satisfactory to the Association and, to the extent practicable, shall be chaired by the local Resistance Committee Chairman and include representatives of MOH, the Ministry of Local Government, the administration of the facility and prominent community leaders.

10. In order to encourage community participation in the financing of local health facilities, the Borrower shall, by June 30, 1989, ensure that funds generated through community and health-related financing activities, including cost-recovery on drugs, shall be rechannelled to the respective health facility.

11. The Borrower shall provide:

- (i) the Mulago Hospital with funds required to launch revolving drug funds; and
- (ii) district hospitals and health centers with funds required to launch revolving funds and finance activities required to generate funds for such hospitals.

12. The Borrower shall submit proposals, satisfactory to the Association, for income-generating activities based on community participation, which shall include appropriate accounting mechanisms.

13. The Borrower shall ensure that funds generated from the sale of newsprint to be provided to the New Vision newspaper are used to establish a health revolving account to support mother-and-child health care programs of NGOs through MOH.

14. (a) In order to establish and define the role and relationship of NGOs, which provide essential complementary support to MOH's health services, with MOH, the Borrower shall:

- (i) conduct a national workshop with the assistance of a duly qualified expert;
- (ii) strengthen the coordination of activities of such organizations with MOH; and
- (iii) provide funds for new initiatives of Ugandan NGOs, especially for the development of women's groups.

(b) Prior to the implementation of any proposal referred to in subparagraph (a) (iii) above, the Borrower shall submit such proposals, including the proposed accounting mechanism, to the Association for its review and comments.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1) through (5) 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 \$3,400,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, 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 satisfactory evidence that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposits furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for Eligible Expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

- (i) 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
- (ii) the total unwithdrawn amount of the Credit allocated to the Eligible Categories, minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 any expenditure or in any 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, 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. No further deposit by the Association into the Special Account
- be made until the Borrower has made such deposit or refund.

shall

(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 for crediting to the Credit Account.



