

CONFORMED COPY

LOAN NUMBER 3308 TUN

(Hospital Restructuring Support Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 22, 1991

LOAN NUMBER 3308 TUN

LOAN AGREEMENT

AGREEMENT, dated May 22, 1991, between REPUBLIC OF TUNISIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; and

WHEREAS: (B) the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan 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 Loan and Guarantee Agreements" of the Bank, 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) "Category" means a category of items to be financed out of the proceeds of the Loan as set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and the term "Categories" means each of said Category;

(b) "Central Bank" means the Borrower's Central Bank (Banque Centrale de Tunisie), established and operating pursuant to the Borrower's Law No. 58-90, dated September 19, 1958;

(c) "CIS" means the Center for Health Information (Centre d'Informatique Sanitaire), to be established by the Borrower and referred to in Section 3.05 (a) of this Agreement;

(d) "CGRH" means the Health Sector Reform Management Board (Comite de Gestion de la Reforme Hospitalicre), to be established by the Borrower and referred to in Section 3.02 (a) of this Agreement;

(e) "Fiscal Year" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period coincides with the calendar year commencing January 1 and ending December 31;

(f) "Hospitals" means the hospitals and other health care institutions established and operating within the Borrower's territory and set forth in Schedule 6 to this Agreement; and the term "Hospital" means any one of said Hospitals;

(g) "MOH" means the Borrower's Ministry of Public Health (Ministcre de la Sante Publique) established pursuant to the Borrower's Law No. 87-1, dated January 13, 1987;

(h) "PCU" means the Project Coordination Unit, to be established by the Borrower within the MOH to administer the Project and referred to in Section 3.02 (b) of this Agreement; and

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

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, various currencies that shall have an aggregate value equivalent to the amount of thirty million dollars (\$30,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank 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 Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the Central Bank on terms and conditions satisfactory to the Bank. 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, 1997, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on June 1 and December 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. 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 MOH with due diligence and efficiency and in conformity with appropriate financial, economic, administrative, health care and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. In order to ensure the proper implementation of the Project, the Borrower shall:

(a) Establish and thereafter maintain with functions, membership and terms of reference all satisfactory to both the Bank and the Borrower, a Health Sector Reform Management Board (the CGRH) to be responsible for, inter alia, monitoring the implementation of the institutional and financial management restructuring of the Hospitals, and the carrying out of the Project; and

(b) (i) Establish and thereafter maintain within the MOH, in a form and with functions, resources and terms of reference all satisfactory to both the Bank and the Borrower, a Project Coordination Unit (the PCU) to assist the CGRH in carrying out its functions and, in particular, to be responsible for, inter alia, supervising, coordinating and administering the overall implementation of the Project, and (ii) ensure that the PCU is at all times staffed with personnel, including a Director, in numbers and with qualifications, experience and terms of reference all satisfactory to both the Bank and the Borrower.

Section 3.03. The Borrower shall take all action necessary to ensure that:

(a) Its government shall prepare, on the basis of the draft law previously furnished to the Bank by the Borrower under cover of its letter dated March 25, 1991, and present to its National Assembly for enactment, a proposed law authorizing the creation of public health establishments in the form of independent public enterprises with legal, financial, administrative and managerial autonomy;

(b) Immediately upon the enactment of the law referred to in paragraph (a) of this Section, and not later than December 31, 1992, the legal personality of each and every Hospital set forth in Part B of Schedule 6 to this Agreement shall be duly converted to that of a public health establishment and the statutes of each of said Hospital, reflecting its new legal personality and the appointment of its general manager, shall be duly issued, all in accordance with the provisions of said law;

(c) Immediately upon the enactment of the law referred to in paragraph (a) of this Section, and not later than December 31, 1993, the legal personality of each and every Hospital set forth in Part C of Schedule 6 to this Agreement shall be duly converted to that of a public health establishment and the statutes of each of said Hospital, reflecting its new legal personality and the appointment of its general manager, shall be duly issued, all in accordance with the provisions of said law; and

(d) Immediately upon the enactment of the law referred to in paragraph (a) of this Section, and not later than December 31, 1994, the legal personality of each and every Hospital set forth in Part D of Schedule 6 to this Agreement shall be duly converted to that of

a public health establishment and the statutes of each of said Hospital, reflecting its new legal personality and the appointment of its general manager, shall be duly issued, all in accordance with the provisions of said law.

Section 3.04. In order to achieve the objectives of the Project, the Borrower shall take all action necessary to ensure, after the conversion of the legal personality of the Hospitals into that of public health establishments, in accordance with the provisions of Sections 3.03 and 5.01 (b) of this Agreement, that their legal personality, statutes and basic structures and functions shall be at all times maintained.

Section 3.05. Not later than September 30, 1991, the Borrower shall take all action necessary to ensure that:

(a) A Center for Health Information (the CIS), with functions, resources and terms of reference all satisfactory to both the Bank and the Borrower, is duly established, possessing the legal personality of a public establishment to be responsible for, inter alia, managing, standardizing and coordinating the development, installation and maintenance of a computer network system for the Hospitals; and

(b) A director is appointed to head the CIS, possessing the requisite qualifications, experience and terms of reference.

Section 3.06. (a) Not later than September 30, 1992, the Borrower shall furnish to the Bank, for its review and comments, the Borrower's medium-term plan for the restructuring and further development of its public hospital sector; and

(b) Without any limitation or restriction upon the provisions of Section 3.01 of this Agreement, the Borrower shall promptly thereafter, taking into account the Bank's comments and recommendations thereon, carry out said plan with due diligence and efficiency and shall at all times take all necessary measures to achieve the objectives thereof.

Section 3.07. Not later than September 30, 1991, the Borrower shall furnish to the Bank, for its review and comments, a proposed financial management manual setting forth the modalities and procedures for the financial management and administration of the Hospitals and taking into account the Bank's comments and recommendations thereon, and, not later than January 1, 1992 the Borrower shall take all action necessary to ensure that said manual is distributed to all senior managerial and administrative staff in each Hospital, whose legal personality has been converted to that of a public health establishment, and is applied in respect of the financial management and administration of said Hospitals.

Section 3.08. (a) Not later than December 31, 1992, the Borrower shall furnish to the Bank, for its review and comments, architectural master-plans for the following Hospitals: Charles Nicolle Hospital (Tunis); General La Rabta Hospital (Tunis); General Aziza Othmana Hospital (Tunis); Pneumo-Phthisic Hospital (Ariana); Razi Manouba Hospital (Ariana); Farhat Hached Hospital (Sousse); Hedi Chaker Hospital (Sfax); Habib Bourguiba Hospital (Sfax); and Mohamed Taieb Kassab Institute of Orthopedics (Tunis); and

(b) The Borrower shall take all measures necessary to ensure that: (i) no activities under Part A (4) of the Project in respect of any of the Hospitals referred to in paragraph (a) of this Section shall be carried out unless and until the Bank shall have approved the architectural master-plan for such Hospital furnished to the Bank pursuant to said paragraph (a); and (ii) thereafter, undertake such activities in respect of such Hospital only in accordance with such architectural master-plan for such Hospital as shall have been approved by the Bank.

Section 3.09. The Borrower shall take all measures necessary to ensure that:

(a) Not later than December 31, 1993, the studies referred to in Part A(6) of the Project shall have been carried out on the basis of terms of reference satisfactory to both the Bank and the Borrower; and

(c) Not later than December 31, 1994, or such later date as the Bank and the Borrower shall establish mutually, the Borrower shall present to its government the conclusions and recommendations of said studies aimed at, inter alia, improving the allocation of the operating costs of the Hospitals among their various financing sources.

Section 3.10. Except as the Bank 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 Loan, shall be governed by the provisions of Schedule 4 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained separate 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 Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than nine (9) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan 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 (1) year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan 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 Bank'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 following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely:

(a) That the Borrower shall have established the CGRH and the PCU referred to in Section 3.02 (a) and (b), respectively, of this Agreement, pursuant to the provisions thereof; and

(b) That the law referred to in paragraph (a) of Section 3.03 of this Agreement shall have been enacted, the Hospitals set forth in Part A of Schedule 6 to this Agreement shall have been converted into public health establishments, statutes for said Hospitals shall have been issued and a general director for each of said Hospitals shall have been appointed, all in accordance with the provisions of said paragraph (a) of Section 3.03.

Section 5.02. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Ministry of Planning and Regional 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 Regional Development
Place Ali Zouaoui
Tunis
Republic of Tunisia

Telex:

15117

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

INTBAFRAD	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 TUNISIA

By /s/ Ismail Khelil
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ W. A. Waphenhans
Regional Vice President
Europe, Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil Works	6,600,000	40%
(2) Computer hardware equip- ment and soft- ware	5,700,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Goods and equip- ment (including educational materials), other than computer equipment and software	11,600,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expen- ditures for other items procured locally
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(4) Consultants' services, training (including trans- portation costs) and fellowships	3,300,000	100%

(5) Unallocated	2,800,000
	<hr/>
TOTAL	30,000,000
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2. For the purposes of this Schedule:

(a) The term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) The term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) Notwithstanding the provisions of paragraph 1 above: (i) no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of three million dollars (\$3,000,000) may be made on account of payments made for expenditures before that date but after January 1, 1991; (ii) no withdrawals shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower for expenditures under Category 1 after the aggregate of the proceeds of the Loan withdrawn under said Category shall have reached the equivalent of three million dollars (\$3,000,000), and for expenditures under Category 3 after the aggregate of the proceeds of the Loan withdrawn under said Category shall have reached the equivalent of one million seven hundred thousand dollars (\$1,700,000), unless the Borrower shall have furnished evidence satisfactory to the Bank that the legal personality of each and every Hospital referred to in Part B of Schedule 6 to this Agreement has been converted to that of a public health establishment and its statutes issued and its general manager appointed all in accordance with the provisions of Section 3.03 (b) of this Agreement; and (iii) no withdrawals shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower for expenditures under Category 3 after the aggregate of the proceeds of the Loan withdrawn under said Category shall have reached the equivalent of five million three hundred thousand dollars (\$5,300,000), unless the Borrower shall have furnished evidence satisfactory to the Bank that the legal personality of each and every Hospital referred to in Part C of Schedule 6 to this Agreement has been converted to that of a public health establishment and its statutes issued and general manager appointed all in accordance with the provisions of Section 3.03 (c) of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower reform the institutional and financial management of certain of its public hospitals, including strengthening their capabilities to provide and deliver health care services, and develop data and information on said hospitals' operating costs so as to improve generally the carrying out of the Borrower's public health sector financial policy.

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

Part A: Improving Hospital Organization and Management

1. Strengthening the PCU's managerial and administrative capabilities, including the provision of computer equipment and related material in respect thereof;

2. Developing a financial management manual, a financial

management data base and a computerized management information system for use within the Hospitals, including the provision of technical assistance and computer equipment and related material in connection therewith;

3. Training, including training activities and seminars abroad, of about 1,000 personnel of the Hospitals to strengthen their capabilities in, inter alia: (i) Hospital organization, management and maintenance; and (ii) the development, operation and maintenance of the computerized management information system referred to in Part A(2) of the Project;

4. Rehabilitating and upgrading the administration and patient registration facilities of the Hospitals, including the provision of equipment and material in connection therewith;

5. Providing technical assistance services for the preparation of: (i) the medium-term plan referred to in Section 3.06 (a) of this Agreement; and (ii) the architectural master-plans referred to in Section 3.08 (a) of this Agreement; and

6. Carrying out of the following studies, under terms of reference satisfactory to the Bank: (i) a study to evaluate and improve the Borrower's existing free and reduced voucher medical health care services program; (ii) a study to evaluate and improve the health insurance components of the Borrower's social security system; (iii) a study to develop a methodology and related timetable for improving the sharing arrangements for financing the operations of the Hospitals; and (iv) a study on hazard and environmental protection and the disposal of hazardous medical waste at the Hospitals.

Part B: Improving Hospital Health Care Facilities and Equipment

1. Rehabilitating and upgrading health care facilities and related material at certain of the Hospitals to improve, inter alia, patient wards and electric, sanitation, heating and air-conditioning networks;

2. Providing and installing incinerators and fire protection systems at the Hospitals;

3. Providing medical equipment and related material to improve the diagnostic and therapeutic capabilities of and the quality of health care services rendered by the Hospitals; and

4. Providing hospital maintenance units, equipment and related material for maintaining the physical facilities and medical and health care equipment of the Hospitals.

* * *

The Project is expected to be completed by March 31, 1997.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each June 1 and December 1 beginning December 1, 1996 through June 1, 2008	1,250,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before maturity	1.00

SCHEDULE 4

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, 1985 (the Guidelines).

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of three hundred thousand dollars (\$300,000) or more.

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 Tunisia 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

1. Limited International Bidding:

Computer hardware equipment, up to an aggregate amount not to exceed the equivalent of six million dollars (\$6,000,000), may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids obtained from at least three (3) qualified suppliers, as the case may be, eligible under the Guidelines, and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

2. Local Competitive Bidding

Civil works estimated to cost more than the equivalent of two hundred thousand dollars (\$200,000) per contract, up to an aggregate amount not to exceed the equivalent of fifteen million five hundred thousand dollars (\$15,500,000), and goods estimated to cost less than the equivalent of three hundred thousand dollars (\$300,000) per contract, up to an aggregate amount not to exceed the equivalent of four million dollars (\$4,000,000) may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

3. Local Shopping

Civil works estimated to cost less than the equivalent of two hundred thousand dollars (\$200,000) per contract, up to an aggregate amount not to exceed the equivalent of one million dollars (\$1,000,000), and miscellaneous equipment estimated to cost less than the equivalent of fifty thousand dollars (\$50,000) per contract, up to an aggregate amount not to exceed the equivalent of one million dollars (\$1,000,000), may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three (3) contractors or suppliers, as the case may be, eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

4. Direct Contracting

Contracts for the procurement of computer software equipment and related specialized computer programs, up to an aggregate amount not to exceed the equivalent of nine hundred thousand dollars (\$900,000), and contracts for the procurement of educational materials and transportation for students, up to an aggregate amount not to exceed the equivalent of three million six hundred thousand dollars (\$3,600,000), may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

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

(a) With respect to each contract for civil works and equipment estimated to cost the equivalent of three hundred and fifty thousand dollars (\$350,000) or more per contract, 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 Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank 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, said 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 Bank pursuant to said paragraph 3 shall be furnished to the Bank 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 the Bank has authorized withdrawals on the basis of statements of expenditure.

2. The figure of twenty percent (20%) is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project,

the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) The term "Eligible Categories" means Categories 1, 2 and 3 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 Loan 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 two million dollars (\$2,000,000) to be withdrawn from the Loan 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 Bank 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 Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank from the Loan 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 Bank shall

reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

(a) If, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan 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 Loan allocated to the Eligible Categories, less the amount of any outstanding special commitment entered into by the Bank 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 Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank 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 Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank 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 Bank 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 Bank, refund to the Bank such outstanding amount.

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

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

The List of Hospitals

There follows hereinbelow a list of the Hospitals within the meaning of Section 1.02 (f) of this Agreement:

Part A:

Mongi Slim Hospital (La Marsa), established and operating pursuant to the Borrower's Finance Law No. 83-75, dated December 30, 1975;

Sahloul Hospital (Sousse), established and operating pursuant to the Borrower's Law No. 89-115, dated December 30, 1989;

Hedi Chaker Hospital (Sfax), established and operating pursuant to the Borrower's Decree dated October 7, 1942; and

Center for Maternity and Neonatology (Sfax), established and operating pursuant to the Borrower's Finance Law No. 85-109, dated December 31, 1985.

Part B:

Children's Hospital (Tunis), established and operating pursuant to the Borrower's Finance Law No. 61-65, dated December 31, 1963;

Center for Maternity and Neonatology La Rabta (Tunis), established and operating pursuant to the Borrower's Finance Law No. 80-88, dated December 31, 1988;

Mohamed Taieb Kassab Institute of Orthopedics (Tunis), established and operating pursuant to the Borrower's Finance Law No. 85-109, dated December 31, 1985;

Salah Azaiez Institute (Tunis), established and operating pursuant to the Borrower's Finance Law No. 68-41, dated December 31, 1968;

National Institute of Neurology (Tunis), established and operating pursuant to the Borrower's Finance Law No. 74, dated December 30, 1974; Institute of Ophthalmology (Tunis), established and operating pursuant to the Borrower's Finance Law No. 61-65, dated December 30, 1961;

National Institute of Nutrition and Nutrition Technology (Tunis), established and operating pursuant to the Borrower's Decree No. 69-178, dated May 19, 1969; and

Pasteur Institute (Tunis), established and operating pursuant to the Borrower's Decree dated February 14, 1900.

Part C:

Habib Thameur Hospital (Tunis), established and operating pursuant to the Borrower's Decree dated December 20, 1934;

Aziza Othmana Hospital (Tunis), established and operating pursuant to the Borrower's Decree dated January 20, 1879;

Pneumo-Phthisic Hospital (Ariana), established and operating pursuant to the Borrower's Finance Law No. 63-58, dated December 31, 1963;

Razi Manouba Hospital, established and operating pursuant to the Borrower's Decree dated May 20, 1924; and

Fattouma Bourguiba Hospital (Monastir), established and operating pursuant to the Borrower's Finance Law of 1968, dated December 30, 1967.

Part D:

La Rabta Hospital (Tunis), established and operating pursuant to the Borrower's Decree dated December 20, 1984;

Charles Nicolle Hospital (Tunis), established and operating pursuant to the Borrower's Decree dated June 9, 1987;

Farhat Hached Hospital (Sousse), established and operating pursuant to the Borrower's Decree dated October 7, 1942;

Center for maternity and Neonatology (Sousse), established and operating pursuant to the Borrower's Finance Law No. 85-109, dated December 31, 1985; and Habib Bourguiba Hospital (Sfax), established and operating

pursuant to the Borrower's Finance Law No. 85-109, dated
December 31, 1985.

