

CONFORMED COPY

CREDIT NUMBER 2731 BU

Development Credit Agreement

(Second Health and Population Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 12, 1995

CREDIT NUMBER 2731 BU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 12, 1995, between REPUBLIC OF BURUNDI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter, dated April 26, 1995, from the Borrower, describing a program of actions, objectives and policies designed to improve the performance of the Borrower's health sector (hereinafter called the Program), and declaring the Borrower's commitment to the execution of the Program;

(B) 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;

(C) the Borrower intends to contract from Kreditanstalt fur Wiederaufbau (KfW) a grant (the KfW Grant) in an amount equivalent to DM 19 million (nineteen million Deutsche Mark) to assist in financing the Project on the terms and conditions set forth in an agreement or agreements (the KfW Agreement) entered into between the Borrower and KfW; 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 modifications thereto set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "CAM" means Carte d'Assistance Medicale, the Borrower's existing pre-payment scheme within the public health sector;
- (b) "CPPF" means Coordination du Programme de Planning Familial, the Borrower's office of coordination for the family planning program within MOPH;
- (c) "Fbu" means the Burundi franc, the Borrower's currency;
- (d) "Hospital Study" means the study to be carried out under Part B(2)(A) of the Project defining the Borrower's needs with regard to health personnel and equipment for the Project Hospitals and all health centers in the Borrower's provinces of Bururi, Kayanza, Muramvya, Muyinga and Ngozi.
- (e) "IEC" means information, education and communications;
- (f) "MOPH" means the Borrower's Ministry of Public Health;
- (g) "BRB" means Banque de la Republique du Burundi;
- (h) "Project Coordination Team" means the team within MOPH which shall coordinate Project activities and be responsible for administrative and financial management, monitoring and evaluation of the Project in accordance with the Implementation Manual;
- (i) "Project Hospitals" means the nine hospitals to be rehabilitated under Part B (2) of the Project;
- (j) "Project Account" means the Account referred to in Section 3.04 of this Agreement;
- (k) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and
- (l) "Project Preparation Advance" means the project advance granted by the Association to the Borrower pursuant to an exchange of letters, dated April 11, 1995, and April 22, 1995, 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 fourteen million three hundred thousand Special Drawing Rights (SDR 14,300,000).

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 may, for the purposes of the Project, open and maintain in dollars a special deposit account in BRB 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 withdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 2001 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 per cent (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 February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 commencing August 15, 2005, and ending February 15, 2035. Each installment to and including the installment payable on February 15, 2015, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years and (ii) the Bank shall consider the Borrower creditworthy for

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

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MOPH with due diligence and efficiency and in conformity with appropriate financial, administrative and 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 of 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. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan, of such scope and in such detail as the Association shall reasonably request, for the future operation of the Project;

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

Section 3.04. Without limitation on the provisions of Section 3.01, the Borrower shall: (a) open and maintain during the Project execution period, an account in Fbu in BRB and on terms and conditions acceptable to the Association; (b) deposit into the Project Account an initial amount equivalent to \$80,000 (the Initial Deposit); (c) thereafter, on the first day of each calendar quarter, deposit into the Project Account amounts required to meet at least three months of expected project expenditures or any other amount as agreed between the Borrower and the Association for further implementation of the Project; and (d) ensure that the amounts deposited into the Project Account are used exclusively for the Borrower's counterpart expenditures under the Project and are included in the Borrower's public expenditure

program.

Section 3.05. The Borrower shall:

(a) By not later than December 31, 1995, prepare and furnish to the Association for its review and comment:

(i) A policy framework for management autonomy of public hospitals taking into account the contents of the Implementation Manual, pertaining to such policy framework; and

(ii) draft regulations and by-laws for its autonomous public hospitals; and

(b) after review of the policy framework and draft regulations and by-laws referred to in (a) above by the Association and taking into account the Association's comments and recommendations thereon:

(i) by not later than March 31, 1996, adopt a policy framework, satisfactory to the Association, including a timetable for implementing the framework;

(ii) by no later than June 30, 1996, cause each of the existing autonomous public hospitals to adopt appropriate new regulations and by-laws; and (iii) thereafter cause each new autonomous public hospital to adopt appropriate regulations and by-laws within three months of being granted its autonomy.

Section 3.06. The Borrower shall engage within MOPH, by not later than six months after the Effective Date the following persons, all in accordance with the provisions of Part II of Schedule 3 to this Agreement.

(a) two consultants to design and install management accounting systems and training programs in hospital management for the Borrower's autonomous public hospitals as required under Parts A.2 (c) and (d) of the Project;

(b) a consultant to carry out the activities necessary to improve the CAM as required under Part A.3 (a) (i) and A.3 (b) of the Project;

(c) a consultant to assist in the preparation of the Borrower's public expenditure program within the health sector in each year of Project implementation as required under Part A.3 (a) (ii) of the Project; and

(d) a consultant specialized in communications to assist in the carrying out of Part C (c) 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;

(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; and

(iv) have, without limitation on its obligation under (b)(i) of this Section and at the request of the Association, the records and accounts for the Special Account for each six-month period (January 1-June 30, July 1-December 31) audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association.

(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)(i) and included in the six-monthly audit (if any) referred to in paragraph (b)(iv) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Remedies of the Association

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

(a) An extraordinary situation shall have arisen which makes it improbable that the Program, or a significant part thereof, will be carried out.

(b) The KfW Agreement shall have failed to become effective by June 30, 1996, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

#### ARTICLE VI

##### Effective Date; Termination

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

(a) the Borrower has submitted to the Association for its review a detailed assessment of total personnel needs within the public health sector;

(b) the Borrower has engaged a consultant specialized in mass communications planning and the key staff for the Project Coordination Team, as specified in

paragraph 2 of Schedule 4 to this Agreement, in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(c) the Borrower has introduced an accounting and financial management system for implementation of the Project, satisfactory to the Association;

(d) the Borrower has prepared all bid documents for contracts to be awarded during the first year of Project implementation after the Effective Date, satisfactory to the Association; and

(e) the Project Account referred to in Section 3.04 of this Agreement has been opened and an initial amount of \$80,000 equivalent has been deposited therein.

Section 6.02. The date one hundred twenty (120) 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 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 1830  
Bujumbura  
Republic of Burundi

Telex:

5135 BDI MINFIN

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 BURUNDI

By /s/ Severin Ntahomvukiye

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Andrew Rogerson

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 80% of local expenditures
(a) Hospital rehabilitation	1,200,000	
(b) Other civil works	350,000	
(2) Goods		
(a) Office equipment, other hospital equipment and audio-visual equipment, and furniture	1,400,000	100% of foreign expenditures and 80% of local expenditures
(b) Major hospital equipment	950,000	40%
(c) Vehicles	450,000	100% of foreign expenditures and 80% of local expenditures
(3) Drugs	650,000	100% of foreign expenditures and 80% of local expenditures
(4) Consultants' services, training and studies	5,700,000	100%
(5) Incremental expenditures	1,350,000	70% of operating expenditures until June 30, 1998 and



		50% thereafter
(6) Refunding of Project Preparation Advance	450,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	1,800,000	
TOTAL	14,300,000	
	=====	

2. For the purposes of this Schedule:

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

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

(c) The term "incremental operating expenditures" means incremental recurring costs required for the implementation of the Project including the following:

- (i) operating vehicles and equipment;
- (ii) maintenance of equipment, vehicles and office facilities;
- (iii) rental of office space;
- (iv) travel costs and travel subsistence allowances; and
- (v) office administration and communication.

(d) The term "major hospital equipment" means sophisticated equipment requiring periodic servicing and spare parts and the use of which is standardized in the Project Hospitals.

(e) The term "other hospital equipment" means all hospital equipment which is not major hospital equipment as defined in subparagraph (d) above.

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 for goods, works and services under contracts not exceeding \$100,000 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 improve the health status of the Borrower's population and contribute to slowing population growth through increasing the availability and enhancing the quality and efficiency of the Borrower's health services.

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: Support for Implementation of Sector Reforms

1. Human Resource Development and Management

Design and implementation of strategies to reduce the shortage of medical personnel and proportionately distribute personnel in the country, including:

- (a) reviewing personnel norms and assessing total personnel needs;
- (b) computerization of human resource management;
- (c) redeployment of personnel;
- (d) recruitment of expatriate physicians; and
- (e) support for the medical school, including carrying out a study on the cause of the drop out rate and provision of about 20 scholarships.

## 2. Management Autonomy for Public Hospitals

Introduction of management autonomy in all public hospitals over a three-year period through:

- (a) conducting an audit in the six autonomous public hospitals and holding a national seminar on management autonomy;
- (b) elaborating a policy framework for management autonomy;
- (c) designing and standardizing management accounting systems;
- (d) designing and standardizing hospital management training programs; and
- (e) introduction of the management accounting system and training programs designed under (c) and (d) above in the Project Hospitals.

## 3. Improvement of Health Financing Mechanisms

Enhancement of the performance and equity of existing mechanisms by improving:

- (a) current payment mechanisms for health care, especially the CAM through designing and implementing strategies aimed at managing health sector revenues, enhancing revenue mobilization and subsidizing the CAM for indigent people through the establishment of a social fund; and
- (b) budget processes, including the Borrower's public expenditure program, public investment program, technical cooperation program and budget preparation.

## 4. Quality Evaluation and Management

Development of quality standards and norms for health programs and services and monitoring their application through:

- (a) establishment of a quality committee within MOPH to formulate health care quality standards and norms and monitor their implementation;
- (b) design of manuals of norms and standards for each level of the health care system and regular updating of the manuals;
- (c) design of a protocol for quality assessment and management based on a survey of health facilities and a survey of the population, patients and health care providers to be used for evaluation studies at commencement and completion of the Project; and
- (d) carrying out of annual routine evaluations of health care delivery in the Borrower's Provinces of Bururi, Kayanza, Muramvya, Musinga and Ngozi.

## 5. National Maintenance Strategy

Monitoring of implementation of the national maintenance strategy in Project Hospitals.

Part B: Strengthening Service Delivery in the Project Area

1. Strengthening Basic Health Care

Restoration of the health services and activities of health centers and provincial health units in the Borrower's Provinces of Bururi, Kayanza, Muramvya, Musinga and Ngozi through:

(a) carrying out a study to evaluate rehabilitation needs of health centers and provincial health units;

(b) minor rehabilitation and acquisition of equipment and drugs for health centers and the provision of operational support to provincial health units;

(c) establishment of a communications network in each province between the province's hospital and its main health centers; and

(d) rehabilitation of the Burasira and Maramvya health centers.

2. Rehabilitation of Project Hospitals

A. The carrying out of an evaluation study in all Project Hospitals to redefine needs, including personnel and equipment needs, in these hospitals.

B. Rehabilitation of the Project Hospitals including:

(a) two second-referral hospitals in Bururi and Ngozi;

(b) five first-referral hospitals in Kayanza, Muramvya, Musinga, Rumonge and Musema; and

(c) two first-referral hospitals in Ibuye and Matana.

Part C: Maternal and Child Health and Family Planning

Carrying out a family planning program through:

(a) strengthening the CPPF and enhancing the family planning capabilities of the provincial health units through training of staff at the central and provincial levels and the establishment of a course in epidemiology and statistics;

(b) improving the quality of maternal and child care and family planning services in health facilities throughout the country by: (i) supporting the medical school in revising its obstetrics course and training and retraining physicians and paramedical personnel; (ii) providing drugs and contraceptives; and (iii) supporting qualitative studies; and

(c) implementing a family planning information, education and communication strategy using a multimedia approach.

Part D: Information, Education and Communication

Improvement of MOPH's ability to coordinate IEC activities, to produce IEC materials, and to carry out communication activities both at the central and provincial levels, by:

(a) strengthening the health education unit within MOPH to enable the health education unit to help health programs and provincial health bureaus in implementation of IEC activities; and

(b) providing support for IEC activities in two areas:

(i) support for health sector reforms;

(ii) information campaigns to address priority health problems and promote beneficial health practices.

\* \* \*

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

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

###### Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

###### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, contracts for goods estimated to cost more than \$100,000 equivalent and contracts for works estimated to cost more than \$300,000 equivalent shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

###### (a) Grouping of contracts

3. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost the equivalent of \$100,000 or more each and contracts for works shall be grouped in bid packages estimated to cost the equivalent of \$300,000 or more.

###### (b) Preference for domestic ally manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

###### Part C: Other Procurement Procedures

###### 1. National Competitive Bidding

Goods estimated to cost \$100,000 equivalent or less per contract, and \$0.05 million equivalent or less in the aggregate and works estimated to cost \$300,000 equivalent or less per contract, and \$0.32 million equivalent or less in the aggregate may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

###### 2. International Shopping

Goods estimated to cost \$30,000 equivalent or less per contract, and \$80,000 equivalent or less in the aggregate, may be procured on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

###### 3. Force Account

Works which meet the requirements of paragraphs 3.8 of the Guidelines and costing \$30,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

###### 4. Procurement from UN Agencies

Small hospital equipment and supplies may be procured from United Nations Children Fund in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and in accordance with the provisions of said paragraph.

2. Prior Review

With respect to each contract for goods and works estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

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, this exception 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 Schedule

1. MOPH shall have overall responsibility for project implementation. All project activities shall be managed and implemented by existing units or directorates within MOPH, as follows:

(i) activities related to human resource development and management shall be managed by the Directorate for Health Services, in cooperation with the General Directorate for Health for training activities;

(ii) the introduction of management autonomy for public hospitals shall be managed and supervised by the General Inspectorate for Health in cooperation with the General Directorate for Health for training

activities;

(iii) all activities linked to improving health financing mechanisms shall be managed by the unit in charge of "Planning and Coordination of Studies, Programs and Budgets";

(iv) activities related to quality assessment and management shall be carried out by the General Inspectorate for Health, under the responsibility of a Quality Committee set up for this purpose;

(v) monitoring of the maintenance strategy in the Project Hospitals shall be carried out by the Directorate for Health Logistics;

(vi) all project activities related to the strengthening of service delivery shall be managed by the General Directorate for Health, in cooperation with the Directorate for Health Logistics;

(vii) maternal and child health and family planning activities shall be managed by the Bureau for Coordination of Family Planning Program; and

(viii) information, education and communication activities shall be managed by the Health Education Unit of MOPH.

2. The Borrower shall ensure that MOPH maintains at all times the key staff (being the Project Coordinator, an architect, an economist/management specialist, a procurement specialist and an accountant) in its Project Coordination Team which shall be completely integrated into MOPH. All key staff shall be engaged in accordance with the provisions of Part II of Schedule 3 of this Agreement. The PCT shall report to the Adviser in charge of the unit for Planning and Coordination of Studies, Programs and Budgets. The team would be responsible for day-to-day coordination of project activities, administrative and financial management, as well as monitoring and evaluation. In particular, the Project Coordination Team shall:

(i) ensure that annual work programs and budgets are prepared by each directorate in charge of its respective component, and review their implementation progress reports;

(ii) procure goods and works and recruit consultants;

(iii) maintain and consolidate all accounts including the Project Account and Special Accounts;

(iv) prepare the necessary withdrawal applications and supporting documents;

(v) make arrangements for the annual audits;

(vi) prepare, as required, semi-annual and annual progress reports;

(vii) put in place a monitoring system for the project's performance indicators; and

(viii) organize annual and mid-term reviews of project implementation.

The Project Coordination Team shall be headed by a Project Coordinator assisted by an economist/management specialist, an architect, an accountant, a procurement specialist, the necessary support staff and consultants to be engaged for specific tasks.

3. MOPH shall ensure that each Project Hospital rehabilitated under the Project shall, no later than six months after rehabilitation:

(i) introduce the management accounting system and training programs developed under Part A.2 (c) and (d) of the Project; and

(ii) assign personnel to it, in accordance with the recommendations of the Hospital Study.

4. (a) In April and October of each year, commencing April, 1996, a six-monthly progress report shall be prepared by the Project Coordination Team. The six-monthly progress report shall be submitted to the Association within six weeks of the end of the six-month period to which it relates.

(b) Not later than October 31 in each year, commencing October 31, 1996, the Borrower and the Association shall conduct a joint review of Project implementation, including an evaluation of progress achieved in the implementation of the Project and the Program, and in particular shall review:

- (i) progress reports, annual work programs and budgets for the next year;
- (ii) procurement under the Project;
- (iii) the status of studies and training under the Project; and
- (iv) the status of Project performance indicators agreed upon with the Association.

5. In preparing its rolling public investment program and its annual budget, the Borrower shall:

(a) not later than October 31 of each year, submit to the Association for its review and comments its investments and budgetary allocations proposals for the health sector; and

(b) take into account comments of the Association in finalizing the draft budget before it is sent to the Borrower's Council of Ministers for approval.

6. (a) By not later than June 30, 1998, the Borrower shall carry out, jointly with the Association, a mid-term review (for the purposes of this Section, the "Mid-term Review") of the progress made in carrying out the Project and the Program. The review shall include:

- (i) the extent to which key objectives are being achieved;
- (ii) the use of Project performance indicators;
- (iii) any changes in Project focus that may need to be introduced;
- (iv) the quality of services delivered at health facilities;
- (v) counterpart funding;
- (vi) the staffing and performance of the Project Coordination Team;
- (vii) progress achieved in: (a) ensuring that proceeds from the CAM and user-fees are managed transparently by the health sector; (b) improving availability and affordability of drugs; (c) increasing the price of the CAM and user fees in accordance with recommendations made; (d) ensuring that the CAM gives access to health services provided by the private non-profit sector; and (e) setting up mechanisms to provide for partial or total exemption from the CAM for indigent people; and
- (viii) an assessment of the performance of the incentive system designed to attract paramedics to work in zones presenting a safety hazard.

(b) The Borrower shall submit to the Association, at least 45 days prior to the Mid-term Review a report, in scope and detail satisfactory to the Association, describing the status of the items listed in paragraph (a) of this Section and of the implementation of the Project and the Program generally.

(c) Based on the Mid-term 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.

7. The Borrower shall, not later than September 30, 1995, adopt a Project Implementation Manual acceptable to the Association.

8. The Borrower shall utilize the Implementation Manual in a manner which would assist in the accomplishment of the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not amend the Implementation Manual so as to materially and adversely affect the implementation of the Project.

#### 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 \$800,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$400,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 700,000.

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;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) 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.