

CONFORMED COPY

CREDIT NUMBER 3625 -YEM

Development Credit Agreement

(Health Reform Support Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 23, 2002

CREDIT NUMBER 3625 - YEM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 23, 2002, between REPUBLIC OF YEMEN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; 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 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

“12. ‘Participating Country’ means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and ‘Participating Countries’ means, collectively, all such countries.” ; and

(b) The second sentence of Section 5.01 is modified to read:

“Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country 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 - 2 - 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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “CAU” means the Credit Administration Unit to be established and maintained in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement;

(b) “Environmental Management Plan” means the Borrower’s plan, dated January 21, 2002, as such plan may be updated from time to time by agreement of the Borrower and the Association, for the implementation of the Project in accordance with certain institutional, mitigating and monitoring measures to offset or reduce adverse environmental impacts to acceptable levels;

(c) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;

- (d) “Fiscal Year” means the fiscal year of the Borrower commencing on January 1 and ending on December 31;
- (e) “Governorate” means an administrative division of the Republic of Yemen;
- (f) “Local Authorities Law” means Law No. 4 of the Borrower promulgated by a Presidential Decree dated February 10, 2000, as the same may be amended from time to time;
- (g) “MOF” means the Ministry of Finance of the Borrower or any successor thereof;
- (h) “MOPHP” means the Ministry of Public Health and Population of the Borrower or any successor thereof;
- (i) “Operations Manual” means the operations manual prepared by the Borrower for carrying out the Project, dated January 22, 2002, outlining the institutional and implementation arrangements, as the same may be amended from time to time by agreement between the Borrower and the Association;
- (j) “PCC” means the Project Coordination Committee to be established and maintained in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement;
- (k) “PIP” means the Borrower’s Project implementation plan dated January 22, 2002, and agreed between the Borrower the Association for the implementation of the Project, setting out the targets and indicators to be used in evaluating progress towards the achievement of the objectives of the Project, the time-bound action plans, procedures and criteria agreed with the Association, as the same may be amended from time to time by agreement between the Borrower and the Association;
- (l) “Project Preparation Advance” means the Project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association and on behalf of the Borrower on February 15, 2002;
- (m) “Special Account” means the account referred to in Section 2.02(b) of this Agreement; and
- (n) “Steering Committee” means the committee to be established and maintained in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement.

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 twenty two million two hundred thousand Special Drawing Rights (SDR 22,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project 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 United States dollars a special deposit account in its Central Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement;

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay 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 canceled.

Section 2.03. The Closing Date shall be December 31, 2007, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and 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 date in that year specified in Section 2.06 of this Agreement.

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

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

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

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 1 and October 1 commencing April 1, 2012, and ending October 1, 2041. Each installment to and including the installment payable on October 1, 2021 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by:

(A) 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; and

(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six (6) months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five (5) years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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 MOPHP with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, health and environmental standards and 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.

(c) Without limitation or restriction upon any of its other obligations under this Agreement and except as the Association and the Borrower shall otherwise agree, the Borrower shall carry out the Project in accordance with the provisions of the Operations Manual, PIP and Environmental Management Plan.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, 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 for the continued achievement of the objectives of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements, in a format acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in Paragraph (a) of this Section and the records and accounts for the Special Account for each Fiscal Year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year: (A) certified copies of its financial statements referred to in Paragraph (a) above for such year as so audited, and (B) an opinion on such statements, records and accounts and a 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 such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Association shall from time to time

reasonably request.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a Financial Monitoring Report in form and substance acceptable to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit during the period covered by said report, and explains the variances between actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Association not later than 45 days after the end of the first calendar quarter, after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter each Financial Monitoring Report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that the Local Authorities Law shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the event specified in Section 5.01 of this Agreement shall occur.

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 provided evidence satisfactory to the Association that at least two districts have been selected for the purpose of implementing Part A of the Project, in accordance with eligibility criteria set out in the PIP;

(b) the CAU has been established with professional staff in adequate numbers and with terms of reference satisfactory to the Association; and

(c) the financial management system referred to under Section 4.01 (a) of this Agreement has been established.

Section 6.02. 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 VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

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

| Cable address: | Telex: | Facsimile: |
|-------------------|-----------------|-----------------|
| CENPLAN Sana'a | 2266 CENPLAN YE | (967) 1 250 665 |

For the Association:

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

| Cable address: | Telex: | Facsimile: |
|-----------------------------|--------------------------------|----------------|
| INDEVAS Washington, D.C. | 248423 (MCI) or 64145 (MCI) | (202) 477-6391 |

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

REPUBLIC OF YEMEN

By /s/Ahmed Mohamed Sofan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

| <u>Category</u> | <u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u> | <u>% of Expenditures to be Financed</u> |
|------------------|---|--|
| (1) Works | 6,880,000 | 90% |
| (2) Goods | 8,970,000 | 100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 85% of local expenditures for other items procured locally |
| (3) Consultants' | 2,150,000 | 100% |

services

| | | | |
|-----|--|----------------------------|--|
| (4) | Training | 1,890,000 | 100% |
| (5) | Incremental Operating Costs incurred by: | | |
| | (a) MOPHP | 420,000 | 50% from November 1, 2002 until December 31, 2004; 40% from January 1, 2005, until December 31, 2006; 25% from January 1, 2007 until December 31, 2007 and 0% thereafter |
| | (b) CAU | 170,000 | 85% |
| (6) | Refunding of Project Preparation Advance | 140,000 | Amount due pursuant to Section 2.02 (c) of this Agreement |
| (7) | Unallocated | 1,580,000 | |
| | TOTAL | <u>22,200,000</u> ===== | |

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;

(c) the term “Incremental Operating Costs incurred by MOPHP” means expenditures incurred by MOPHP on account of Project activities, including maintenance of vehicles, fuel, office supplies, communication services, local travel costs (including transport and per diem), and maintenance of buildings and equipment in the Project departments and the eight (8) selected districts, but excluding salaries of officials of the Borrower; and

(d) the term “Incremental Operating Costs incurred by CAU” means expenditures incurred by CAU on account of Project activities, including utility charges, maintenance and insurance of vehicles, fuel, office supplies, banking charges, communication and translation services, audit costs, local travel costs (including transport and per diem), CAU driver salary,

advertising, mailing and shipping costs, and labor costs, but excluding salaries of officials of the Borrower.

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

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$100,000 equivalent each; (b) works under contracts costing less than \$100,000 equivalent each; (c) services under contracts for consulting firms costing less than \$100,000 equivalent each; (d) services under contracts for individual consultants costing less than \$50,000 equivalent each; (e) training; and (f) Incremental Operating Costs, all 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 increase access for women and children to a package of integrated maternal and child health services provided in district hospitals and health centers in selected districts, and improve the effectiveness of national public health programs and the resource allocation within the public health sector.

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

Part A: Strengthening Health Service Delivery

1. Decentralized Operational Management

Improving the management systems and procedures of Governorate and district health offices in support of the decentralization of resource management required for establishing an operational district health system in accordance with the Local Authorities Law, through the carrying out of civil works for the rehabilitation of health offices and the provision of goods, consultant services and training.

2. Delivery of a Package of Integrated Maternal and Child (PIMAC) Health Services

Supporting the delivery of PIMAC health services in district hospitals and health centers, including: (a) the development of clinical standards and protocols as well as service delivery guidelines; (b) upgrading the skills of health care providers; (c) the provision of drugs, medical supplies and medical equipment; (d) the provision of reproductive health/family planning supplies; and (e) the rehabilitation of about eight (8) district hospitals and about sixteen (16) health centers in eight (8) districts within four (4) different Governorates, through the carrying out of civil works and the provision of goods, consultant services and training.

Part B: Strengthening Public Health Programs

1. Malaria

(a) Strengthening the national malaria control program activities by: (i) developing a national system for the assessment and review of national malaria treatment policies; and (ii) the strengthening of the capacity of about seven referral laboratories, through the carrying out of civil works and the provision of goods, consultant services and training.

(b) Improving malaria integrated vector management in high-risk and epidemic-prone areas, including: (i) the promotion of personal protection measures; (ii) residual house spraying; (iii) use of insecticide treated materials; (iv) environmental management; and (v) larviciding, all through the provision of goods, consultant services and training.

(c) Establishing mobile teams for epidemic detection and response through the provision of goods, consultant services and training.

(d) Strengthening the institutional capacity of the national center for epidemiology and surveillance to support malaria disease surveillance as well as other communicable and non-communicable disease, through the provision of goods, consultant services and training.

2. Health Education

(a) Strengthening the institutional capacity of the health education program by revising the organizational structure for health education management and upgrading the human resources skills through the provision of goods, consultant services and training.

(b) Supporting the development of a communication for behavior change program to address the priority health problems, including, *inter alia*, reproductive health/family planning, malaria, nutrition and HIV/AIDS, through the provision of goods, consultant services, training and conducting mass and interpersonal communication campaigns.

Part C: Improving Health Systems Management

1. Health Finance and Management

(a) Supporting the development of human resources in the areas of financial analysis by: (i) conducting an annual analysis for public expenditures programming to improve resource allocation; (ii) preparing national health accounts to provide detailed analysis on total health spending in public and private sector; and (iii) the preparation of health insurance studies to assess the feasibility of developing a health insurance program, through the provision of goods, consultant services and training.

(b) Developing health management by establishing the national center for health management training and developing a national health management training program through the carrying out of minor civil works and the provision of goods, consultant services and training.

2. Health Management Information System (HMIS)

Developing a health management information system, including: (a) a management decision support system; (b) a health information system; and (c) a geographic information system, through the provision of goods, consultant services and training.

3. Credit Administration and Project Coordination

Providing support to the CAU for carrying out its responsibilities under the Project through the provision of goods and consultant services.

* * *

The Project is expected to be completed by June 30, 2007.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with the provisions of: (i) Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (ii) the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, and works estimated to cost less than \$1,000,000 equivalent per contract, up to an aggregate amount not to exceed \$8,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$2,400,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

Goods under Part A.2 (d) costing \$600,000 equivalent or less in the aggregate may be procured from the United Nations Fund for Populations Activities in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than US\$100,000 equivalent per contract, up to an aggregate amount not to exceed US\$1,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations 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 with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to: (i) the first two contracts to be procured under the procedures described under paragraph 4 of Part C of this Schedule; and (ii) each contract 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.

(b) With respect to the first three contracts to be procured under the procedures described under paragraph 2 of Part C of this Schedule, the following procedures shall apply:

(i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) 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

Part A: General

1. Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services estimated to cost less than \$100,000 equivalent per contract shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection

Services for audit may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

4. Single Source Selection

Services which are estimated to cost less than \$50,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

5. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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 Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Borrower shall vest responsibility for Project management and implementation in MOPHP. In order to facilitate the efficient oversight of the Project, the Borrower shall establish and maintain a Steering Committee, whose membership shall include the Borrower's Minister of Public Health and Population or his designee (Chair), the deputy ministers of MOPHP, one representative of the Ministry of Planning and Development and one representative of the Ministry of Finance, to be responsible for Project oversight and the provision of policy guidance.

2. The Borrower shall establish and maintain, within MOPHP, a PCC whose membership shall include the Borrower's Minister of Public Health and Population or his designee (Chair), the heads of the departments and programs involved in the implementation of the Project and the CAU administrator. The PCC shall be supported by consultants in adequate numbers whose qualifications, experience and terms of reference shall be acceptable to the Association. The PCC shall: (a) ensure the proper implementation of the Project in accordance with the provisions of this Agreement, the PIP, the Operations Manual and the Environmental Management Plan; (b) propose revisions to the Operations Manual as may be required, based on implementation experience; (c) monitor implementation and review updates to the Environmental Management Plan; (d) prepare consolidated annual work plans and budgets for submission to the Steering Committee; (e) coordinate the Project components; (f) resolve any issues related to the Project implementation; (g) review implementation progress; (h) prepare technical progress reports on a semi-annual basis; (i) review the Project progress reports for submission to the Steering Committee; and (j) supervise the monitoring and evaluation activities.

3. (a) The Borrower shall establish and maintain a CAU within MOPHP, with professional staff in adequate numbers whose qualifications, experience and terms of reference shall be acceptable to the Association. Key staff of CAU shall consist of a CAU administrator, a procurement officer, a financial management specialist, an accountant and an executive secretary. The CAU administrator shall report directly to the Minister of Public Health and Population or his designee.

(b) The functions of CAU shall include, *inter alia*, responsibility for: (a) assisting the PCC in the Project implementation; (b) the procurement, financial and disbursement management, including the preparation of withdrawal applications under the Project; (c) preparing the financial and procurement reports; (d) consolidating the financial and procurement reports and the technical progress reports for submission to the PCC and the Association on a semi-annual basis; (e) facilitating the release of counter-part funds under the Project in coordination with relevant government ministries and agencies; and (f) ensuring that the Project accounts are audited annually.

4. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on a semi-annual basis, beginning September 30, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, to assess the progress towards meeting the objectives of the Project during the period preceding the date of said report, identify areas where adjustments need to be made and set out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 30, 2005, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(d) review with the Association, by March 31, 2006, or such later date as the Association shall request, the report referred to in paragraph (c) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1), (2), (3), (4), (5)(a) and (5)(b) 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, works 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 US\$1,500,000 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 US\$800,000 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 3,000,000.

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 deposit into the Special Account of an amount or amounts 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, minus the total amount of all outstanding special commitments 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.

