

CONFORMED COPY

CREDIT NUMBER 2465 GUB

Development Credit Agreement

(Social Sector Project)

between

REPUBLIC OF GUINEA-BISSAU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 28, 1993

CREDIT NUMBER 2465 GUB

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 28, 1993, between REPUBLIC OF GUINEA-BISSAU (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) WHEREAS the Association has received a letter dated January 28, 1993, from the Borrower describing a program of actions, together with a timetable designed to implement the Borrower's strategy in the health sector (hereinafter called the health policy implementation plan), and declaring the Borrower's commitment to the execution of such plan; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

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

(b) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated April 27, 1992 and May 12, 1992 between the Borrower and the Association;

(c) "Project Account" means the account referred to in Section 3.01 (b) of this Agreement;

(d) "Beneficiaries" means the individuals deriving benefits directly or indirectly from small-scale projects in the social sectors financed under this Project;

(e) "IEC" means Information, Education and Communication;

(f) "MINPH" means the Borrower's Ministry of Public Health;

(g) "MINFAC" means the Borrower's Ministry of Foreign Affairs and Cooperation;

(h) "MINNE" means the Borrower's Ministry of National Education;

(i) "NGOs" means non-governmental organizations;

(j) "PCU" means the Project Coordinating Unit established under the Borrower's Ministry of Foreign Affairs and Cooperation;

(k) "SAF" means the Social Action Fund established by a circular (despacho) No. 01/93, in date of January 27, 1993, of the Borrower;

(l) "SAFU" means the Social Action Fund Unit referred to in Schedule 4 to this Agreement;

(m) "SOLIDAMI" means the Solidarity and Friendship Institution operating in the territory of the Borrower;

(n) "Fiscal Year" means the Borrower's fiscal year which begins from January 1 and ends December 31 each year; and

(o) "Peso" means the currency of the Borrower.

#### 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 six million four hundred thousand Special Drawing Rights (SDR 6,400,000).

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 and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1997 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 15 and July 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 January 15 and July 15 commencing July 15, 2003 and ending January 15, 2033. Each installment to and including the installment payable on January 15, 2013 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 MINPH and MINFAC, with due diligence and efficiency and in conformity with appropriate administrative, financial and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Without limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) establish and maintain a Project Account in a commercial bank on terms and conditions satisfactory to the Association to be used exclusively for the purposes of meeting expenditures for the Project, which are not externally financed; and

(b) in addition to the initial deposit referred to in Section 6.01 (a) of this Agreement, deposit into the Project Account, promptly before each fiscal semester starting after the Effective Date, sufficient funds to pay the Borrower's contribution to the financing of the Project required for such fiscal semester, as estimated by the Borrower in consultation with the Association.

Section 3.03. The Borrower shall take all necessary actions to implement the health policy implementation plan, referred to in the preamble of this Agreement.

Section 3.04. The Borrower shall: (a) submit, not later than October 31 of each year, starting October 31, 1993, to the Association for review a proposed budget for the health sector for the following Fiscal Year in form and substance satisfactory to the Association; and (b) thereafter shall implement, in a timely manner, the health sector budget as agreed upon with the Association.

Section 3.05. The Borrower shall: (a) by July 31, 1995, carry out jointly with the Association a mid-term review of the Project which shall cover inter alia: (i) the evaluation of the in-service and multi-oriented training programs for health workers; (ii) the overall assessment of the implementation of the IEC component of the Project; (iii) the evaluation of the implementation of the rehabilitation of health facilities and the construction of nurses' houses with community participation; (iv) the analysis of SAFU's operations; and (v) the review of the survey developed by the Borrower to monitor the measurable indicators to register the impact of the Project;

(b) thereafter carry out such corrective actions as the Borrower and the Association shall determine in accordance with a time schedule satisfactory to the Association; and

(c) in order to facilitate this review, prepare and submit to the Association, not later than four weeks before the scheduled date of this review, a report of Project activities of such scope and in such detail as the Association shall have reasonably requested.

Section 3.06. 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.

#### ARTICLE IV

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

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the

Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) The Borrower shall cause SAFU to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of SAF.

(b) The Borrower shall cause SAF to:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors of such scope and in such detail as the Association shall have reasonably requested, including a verification that the activities financed meet the agreed eligibility criteria; and
- (iii) furnish to the Association such other information concerning such records, accounts and financial statements and the audit thereof as the Association shall from time to time reasonably request.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that the Borrower has failed to implement the health policy implementation plan in a manner satisfactory to the Association.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that the event referred to 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 opened the Project Account and has

deposited therein the initial deposit in an amount in pesos equivalent to sixty thousand dollars (\$60,000);

(b) the Borrower has employed an accountant for the PCU and a procurement and architectural specialist for the Project Implementation Committee in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(c) the Borrower has adopted, for the year 1993, a health sector budget with a composition of expenditures, satisfactory to the Association; and

(d) the Borrower has developed indicators to assess the effectiveness of the implementation of Parts A and B of the Project and has formulated consequently a detailed plan, satisfactory to the Association, to regularly coordinate, supervise and monitor the progress of such implementation.

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

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for Finance 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:

Ministerio das Finanfas  
C.P. 67  
Bissau, Guine-Bissau

Cable address:

MEF

Telex:

257 MEF BI

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:

197688 (TRT),  
248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

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 GUINEA BISSAU

By /s/ Alfredo Lopes Cabral  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox  
Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	360,000	100% of foreign expenditures and 70% of local expenditures
(2) Equipment, furniture, materials, vehicles, solar panels, and consumable goods	2,160,000	100%
(3) Teaching allowances for trainers and training materials for training within the Borrower's territory	90,000	100%
(4) Training within the African region, with the exception of Guinea-Bissau	50,000	100%
(5) Specialist services and service contract for wells	1,590,000	100%
Category	Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(6) SAF Funding	290,000	100%
(7) Incremental recurrent costs	1,010,000	100%
(8) Refunding of Project Preparation Advance	220,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(9) Unallocated	630,000	
TOTAL	6,400,000	



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 "consumable goods" means small value items such as transistor radios and T-shirts.

(d) the term "incremental recurrent costs" means the incremental project related costs incurred for the cost of office rents, vehicles and equipment maintenance and operations, office supplies and maintenance of facilities; and

(e) the term "SAF Funding" means support funds for expenditures incurred during the implementation of the small-scale projects financed under SAF.

3. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditures for such expenditures and under such terms and conditions as the Association shall specify by notice to the Borrower.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to assist the Borrower to improve the delivery capacity and quality of primary health care in its territory and to support and expand the activities of various entities, such as national NGOs, in the social sectors.

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: Human Resource Development

Improvement of training programs for health personnel through:

- (1) implementation of in-service training refresher program designed to improve the skills and knowledge of health personnel in priority health areas;
- (2) implementation of in-service training upgrading program designed to upgrade the skills of health personnel in specialized health areas;
- (3) implementation of in-service training for medical specialization designed to support the local development of medical specialization and to improve the specialized skills of professional medical staff; and
- (4) acquisition of medical and non-medical equipment, supplies and learning materials.

##### Part B: Health Facilities

Implementation of a health facilities revitalizing program, including:

- (1) construction, rehabilitation or upgrading of health facilities and drug storage units;
- (2) construction and rehabilitation of housing for nurses;
- (3) construction of approximately 12 wells, acquisition and

installation of approximately 22 solar panels;

- (4) acquisition of equipment and furniture;
- (5) acquisition of vehicles, motorcycles, bicycles, and consumable goods for community participation; and
- (6) acquisition of roofing and flooring materials.

Part C: Information, Education and Communication

Improvement of the dissemination of health information to rural areas in the territory of the Borrower through:

- (1) the carrying out of a study of the overall IEC activities to assist the National Council for Health Information, Education and Communication to develop an IEC framework;
- (2) development of a strategy to improve the capacity of MINPH Division of Health Education to develop and centrally coordinate diverse IEC activities;
- (3) institutional strengthening of MINPH through the acquisition of equipment and supplies for its Division of Health, Education and its Information and Documentation Center;
- (4) the carrying out of seminars and training courses on IEC for health personnel;
- (5) the carrying out of seminars and training courses on graphic arts, illustration, layout and design, and audio visual for personnel involved in IEC delivery; and
- (6) the editing, adaptation and distribution of two health information serial albums namely, "Health in the Tabancas" and "Maternal and Child Health".

Part D: Social Action Fund

- (1) Establishment and operation of a Social Action Fund to provide, after assessment of proposals, funds in support of small-scale projects designed by various entities to improve the health and social indicators and alleviate poverty of the most vulnerable groups; and
- (2) Acquisition of material, office equipment and vehicles for SAFU.

\* \* \*

The Project is expected to be completed by June 30, 1997.

### SCHEDULE 3

#### Procurement and Consultants' Services

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

###### Part A: International Competitive Bidding

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

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more.

3. Goods to be procured through international competitive bidding shall be exempted from pre-shipment price inspection by a third party.

Part B: Other Procurement Procedures

1. Civil works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Civil works under Part B.2. of the Project, estimated to cost the equivalent of \$12,000 or less per contract, may be procured under contracts awarded on the basis of comparison or price quotations solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association, provided however that the aggregate value of such contracts shall not exceed the equivalent of \$60,000.

3. Goods estimated to cost less than the equivalent of \$100,000 per contract, may be procured under contracts awarded on the basis of competitive bidding, advertised locally in accordance with procedures satisfactory to the Association, provided however that the aggregate value of such contracts shall not exceed the equivalent of \$420,000.

4. Miscellaneous items of goods which cannot be grouped into bid packages estimated to cost the equivalent of \$50,000 or more per contract may be procured under contracts awarded on the basis of comparison or price quotations solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association, provided however that the aggregate value of such contracts shall not exceed the equivalent of \$310,000.

5. Service contracts for the construction of wells, under Part B.3. of the Project, estimated to cost the equivalent of \$6,000 or less per contract, may be procured under contracts awarded on the basis of comparison or price quotations solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association, provided however that the aggregate value of such contracts shall not exceed the equivalent of \$70,000.

Part C: Review by the Association of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of

expenditure.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

#### Section II. Employment of Consultants

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

### SCHEDULE 4

#### Implementation Program

#### Section A. Parts A, B and C of the Project

##### 1. Management

MINPH shall be responsible for the overall coordination, monitoring and supervision of activities.

(a) The Project Implementation Committee

(i) In order to facilitate implementation of the Project, the Borrower shall establish a Project Implementation Committee, under MINPH, whose primary functions will be to provide policy guidance and technical input for implementation of the health sector subprojects.

(ii) The Committee shall be composed of:

- (A) the Director of Planning of MINPH who shall be Chairman;
- (B) the Director of Primary Health Care of MINPH;
- (C) the PCU Director, who shall act as Secretary;
- (D) a Training and Management Technical Director; and
- (E) a Procurement and Architectural Specialist.

To carry out its objectives and in accordance with its own rules of operation, the Committee shall meet on a monthly basis during the first year of the Project's implementation and thereafter as often as necessary.

(iii) The Borrower shall appoint the training and management technical director and the procurement and architectural specialist in accordance with the provisions of Section 2 of Schedule 3 to this Agreement.

(iv) The Project Implementation Committee shall remain in function during the implementation of the Project.

(b) The PCU

(i) The Project Coordinating Unit which shall carry out the day-to-day administration, management and

coordination of Parts A, B and C of the Project shall consist of a director, an accountant and an adequate number of support staff.

- (ii) The Borrower shall appoint the PCU Director and the accountant, in accordance with the provisions of Section 2 of Schedule 3 to this Agreement. The Borrower shall appoint as support staff individuals whose experience, qualifications, and terms of employment are acceptable to the Association.

## 2. Implementation

(a) Not later than October 31 of each year, starting October 31, 1993, MINPH, in collaboration with the Training and Management Technical Director of the Project Implementation Committee, shall furnish to the Association for review and approval the proposed health training program to be implemented under the Project for the following year, and a report on the achievements of training in the previous year.

(b) The Borrower shall take all measures generally, and measures regarding wage and compensation in particular, to attract and retain appropriate health staff in health facilities located in rural areas.

## 3. Reporting

(a) The Project Coordinating Unit, through its Director, shall consolidate quarterly reports on the implementation of Parts A, B and C of the Project within four weeks after the end of each quarter and submit such reports to the Project Implementation Committee and the Association for their review and comments.

(b) The Project Coordinating Unit, through its Director, shall promptly communicate to the Association, for its review and comments, the coordinated quarterly reports of SAFU, referred to in paragraph 3 of Section B of this Schedule.

(c) The Project Coordinating Unit, through its Director, shall promptly furnish to the Association, for its approval, the recommendations of the SAF Technical Committee referred to in paragraph 2 (a) (ii) of Section B of this Schedule.

## 4. Compensatory Program

The Borrower shall adopt for the PCU director, the PCU accountant, the procurement and architectural specialist and the training and management technical director compensatory programs satisfactory to the Association.

## Section B. Part D of the Project

### 1. Management

MINFAC shall be responsible for the overall coordination, monitoring and supervision of activities under Part D of the Project. MINFAC shall be assisted in this function by various ministries and instrumentalities of the Borrower, including MINPH, MINNE and SOLIDAMI.

#### (a) The Social Action Fund Technical Committee

- (i) In order to facilitate implementation of Part D of the Project and maximize its impact, the Borrower shall establish a Social Action Fund Technical Committee whose functions will be to review the small-scale project proposals in social sectors submitted by various entities, such as national NGOs, and make recommendations to the Association on the proposals suitability

for SAF financing.

- (ii) The Technical Committee shall be composed of:
  - (A) the Managing Director of the Social Action Fund Unit who shall be chairman;
  - (B) a representative of MINPH;
  - (C) a representative of MINNE;
  - (D) a representative of SOLIDAMI;
  - (E) a representative of national NGOs; and
  - (F) a representative of international NGOs.

The Committee shall meet as often as necessary to carry out its objectives, but at least every other month. The representatives of the national and international NGOs will serve on a one-year basis.

(b) The Social Action Fund Unit

- (i) The Social Action Fund Unit which shall carry out the day-to-day management and monitoring of the funds of the Social Action Fund shall consist of a managing director, an assistant to the Managing Director, an accountant and an adequate number of support staff.
- (ii) The Borrower shall appoint the managing director, the assistant to the managing director and the accountant, referred to in paragraph 3 (b) (i) above, in accordance with the provisions of Section 2 of Schedule 3 to this Agreement. The Borrower shall appoint as support staff individuals whose experience, qualifications, and terms of employment are acceptable to the Association. The Borrower shall adopt for the SAFU managing director a compensatory program satisfactory to the Association.

2. Implementation

(a) Small-scale projects identification, appraisal, and approval.

- (i) Proposals for small-scale projects may be initiated by various entities, such as national NGOs. Proposals shall identify the type of small-scale projects, describe the works, goods or services to be carried out and identify the Beneficiaries.
- (ii) The proposals shall be processed and reviewed by the Social Action Fund Technical Committee for recommendations to the Association. These recommendations shall be submitted promptly, through the PCU Director, to the Association for its approval, as referred to in paragraph 3 (c) of Section A of this Schedule. The Association shall determine whether or not the proposals qualify for SAF funding.
- (iii) Appraisal criteria for all small-scale projects shall include the following:
  - (A) Small-scale projects shall be technically feasible and financially viable.
  - (B) Proposed Beneficiaries shall include, inter

alia, women, children, elderly people without family support and handicapped persons.

- (C) Small-scale projects shall contribute mainly to support, inter alia, nutrition and family planning programs, literacy and numeracy programs, targeted health programs and income-generating activities for women.

(b) Small-scale projects' arrangements.

- (i) The proposed entities selected to carry out small-scale projects shall promptly enter into written arrangements with the Borrower, on terms and conditions satisfactory to the Association, pursuant to which the Borrower shall, inter alia, obtain rights adequate to protect the interests of the Association and the Borrower, including the right of the Borrower to:

- (A) require the entities to carry out and operate the small-scale projects with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;
- (B) require that the goods and services to be financed out of the proceeds of the Credit shall be purchased at a reasonable price; other relevant factors in the selection process will include the time of delivery, the efficiency and reliability of the goods, the availability of maintenance facilities and spare parts therefor and, in the case of services, their quality and the competence of the parties rendering them; such goods and services shall be used exclusively in the carrying out of the small-scale projects;
- (C) inspect, by itself or jointly, with the Borrower, if the Association and the Borrower shall so request, such goods and the sites, works, plants and construction included in the small-scale projects, the operation thereof, and any relevant records and documents;
- (D) obtain all such information as the Association and the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the small-scale projects, if appropriate, and to the benefits to be derived therefrom; and
- (E) suspend or terminate the right of the entities to the use of the proceeds of the Credit upon failure by such entities to perform their obligations under their arrangements with the Borrower.

- (ii) The Borrower shall exercise its rights in relation to each small-scale project in such manner as to:

- (A) protect the interests of the Borrower and the Association;

- (B) comply with its obligations under these arrangements; and
- (C) achieve the purposes of the Project.

3. Reporting

SAFU, through its Managing Director, shall prepare quarterly reports on the implementation of Part D of the Project within four weeks after the end of each quarter. SAFU shall promptly submit, through the PCU Director, such quarterly reports to the Association for its review and comments, as referred to in paragraph 3 (b) of Section A of this Schedule.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 to 7 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 \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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



and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

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

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

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

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

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

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

