

CONFORMED COPY

CREDIT NUMBER 2031 BEN

Development Credit Agreement

(Health Services Development Project)

between

People's Republic of Benin

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 26, 1989

CREDIT NUMBER 2031 BEN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 26, 1989, between PEOPLE'S REPUBLIC OF BENIN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated May 12, 1989, from the Borrower describing a program of actions, objectives and policies designated to achieve structural adjustment 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 committed itself to the execution of the Program and, as part thereof, having undertaken to carry out the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project and of urgently needed imports required during the execution of the Program;

(C) the Borrower has obtained from the Government of the Swiss Confederation (Switzerland) a non-reimbursable contribution (the Swiss Contribution) in an amount of eighteen million Swiss francs (SwF18,000,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the Swiss Contribution Agreement) between the Borrower and Switzerland; and

(D) Switzerland has appointed the Association to administer the Swiss Contribution in accordance with the provisions of a Procedural Arrangement, dated April 9, 1987 (the Arrangement) b between Switzerland and the Association, and the Association has accepted such appointment;

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) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev. 3 (1986);

(b) "Special Accounts" means the accounts referred to in Section 2.02 (c) of this Agreement;

(c) "Project Area" means the eleven districts in the Borrower's Atacora, Mono and Atlantique provinces;

(d) "Project Preparation Advances" means the project preparation advances (P 368-0 and P 368-1 BEN), granted by the Association to the Borrower pursuant to exchanges of letters dated May 9, 1986, and May 27, 1986, and August 31, 1988, and September 23, 1988, between the Borrower and the Association;

(e) "MSP" means the Borrower's Ministry of Public Health;

(f) "PCMC" means the Health Programs Coordinating and Monitoring Committee, created by the Borrower's Decree No. 88/427 of October 28, 1988;

(g) "DEP" means the Directorate within MSP in charge of Studies and Planning;

(h) "PCB" means the Project Coordination Bureau;

(i) "CFAF" means the currency of the Borrower;

(j) "Swiss Contribution Account" means the account established by Switzerland for the purpose of the Swiss Contribution; and

(k) "Priority Services" means the units of MSP, engaged in the delivery and administration of the following activities: studies and planning, financial and administrative affairs, maternal and child health, family planning, health education, supply of drugs and medical materials, sexually transmitted diseases/AIDS, primary health care and immunization, nutrition, infrastructures, equipment and maintenance, and hygiene and sewerage.

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 one hundred thousand Special Drawing Rights (SDR 14,100,000).

Section 2.02. (a) The amount of the Credit and the amount of the Swiss Contribution may be withdrawn from the Credit Account and the Swiss Contribution 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: (i) 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 and the Swiss Contribution; and (ii) of goods imported during the execution of the Program and to be financed out of the proceeds of the Credit.

(b) Except as Switzerland and the Association shall otherwise agree, the allocation and withdrawal of the Swiss Contribution shall be governed, mutatis mutandis, by the provisions of the General Conditions.

(c) The Borrower shall open and maintain in CFAF the following special accounts in the Cotonou branch of the Central Bank for West African Countries on terms and conditions satisfactory to the Association: (i) two special accounts ("IDA Special Account" and "Swiss Special Account") for the purposes of the Project; and (ii) one

special account ("Program Special Account") for the purposes of the Program. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(d) 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 Advances 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 Advances shall thereupon be cancelled.

Section 2.03. The Closing Date shall be September 30, 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; (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 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 June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 1 and December 1 commencing December 1, 1999, and ending June 1, 2029. Each installment to and including the installment payable on December 1, 2008, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five 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 French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The Minister of Public Health is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions with regard to all Categories in the table in paragraph 1 of Schedule 1 to this Agreement, except Category 6 of said table.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MSP and PCB with due diligence and efficiency and in conformity with appropriate administrative, financial, economic and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 4 to this Agreement.

(b) Prior to each such exchange of views as referred to in paragraph (a) of this Section, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

(c) The Borrower and the Association shall, not later than December 31 of each year the Project is executed, exchange views on the progress achieved in carrying out the Project, on the basis of annual work programs prepared by PCMC.

Section 3.03. Except as the Association and Switzerland shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and imported during the execution of the Program, and to be financed out of the proceeds of the Credit and Swiss Contribution, shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. Without any limitation or restriction upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) during the course of the Project, provide each year in its budget amounts sufficient to cover its annual contribution to the cost of the Project, as assessed on the basis of annual financial plans prepared by PCMC;

(b) open and maintain in a commercial bank a Project account in CFAF, in the name of the Project, to be used exclusively to meet the Borrower's contribution to the cost of the Project;

(c) pay into said Project account an initial amount of 75 million CFAF; and

(d) thereafter, deposit into said Project account promptly before the beginning of each calendar quarter during the course of the Project, starting April 1, 1990, one-fourth of said annual contribution of the Borrower.

Section 3.05. (a) The Borrower shall establish and maintain in the Cotonou branch of the Central Bank for West African Countries a Social Fund on terms and conditions satisfactory to the Association.

(b) The Borrower shall, upon each withdrawal from the Credit Account under Category (6) of the table in paragraph 1 of Schedule 1 to this Agreement, deposit, or cause to be deposited, in the Social Fund, in accordance with appropriate financial procedures, the equivalent in CFAF of the currency or currencies withdrawn from the Credit Account under said Category (such equivalent to be determined as of the respective dates of such withdrawals). The amounts so deposited in the Social Fund shall be used exclusively to finance non-wage recurrent costs in the Borrower's health and education sectors, agreed upon between the Borrower and the Association.

(c) The Borrower shall furnish to the Association, at least on a quarterly basis, all such information as the Association shall request concerning the utilization of the amounts deposited in the Social Fund pursuant to paragraph (b) of this Section.

Section 3.06. The Borrower shall open and maintain in a commercial bank, an account in the name of each of the eleven district health centers in the Project Area on terms and conditions satisfactory to the Association, to be used exclusively to receive the proceeds of cost recovery for health services and to finance drug purchases in each such center.

Section 3.07. The Borrower shall, during the execution of the Project, furnish to the Association for its review:

(a) not later than November 30 of each year, its revised and updated three-year rolling investment plan for the health sector for the subsequent three calendar years, emphasizing delivery of health services to rural areas; and

(b) not later than September 30 of each year, its recurrent budget for the subsequent calendar year showing, inter alia: (i) for 1990, allocations of at least 2.6 billion CFAF to MSP's wage costs and of at least 2.2 billion CFAF to MSP's non-wage recurrent costs; (ii) for 1991, allocations of at least 2.7 billion CFAF to MSP's wage costs and of at least 2.2 billion CFAF to MSP's non-wage recurrent costs; (iii) for 1992 and subsequent years, allocations of at least 6% of said recurrent budget to the health sector and of at least 40% of the total health sector budget to MSP's non-wage recurrent costs; and (iv) priority allocations to delivery of health services in rural areas.

Section 3.08. The Borrower shall, during the execution of the Project, maintain: (a) the Human Resources Sub-Commission within the Borrower's National Commission for Negotiations with the International Monetary Fund and the World Bank; (b) the PCMC with the staff set forth in its establishment decree, and with such functions as set forth in Schedule 6 to this Agreement; and (c) the PCB with such functions and staff as set forth in Schedule 6 to this Agreement.

Section 3.09. In order to carry out Part A.5 of the Project, the Borrower shall, not later than October 31, 1989, cause health management committees to be established and made functional in each district and community within the Project Area.

Section 3.10. In order to carry out Part C.4 of the Project, the Borrower shall, prior to awarding the contracts for such works, reassign health staff to facilities to be extended or rehabilitated.

Section 3.11. The Borrower shall furnish to the Association for its approval a description of the function, qualifications, selection criteria and envisaged employment of each candidate for a fellowship, to be financed under the Project.

Section 3.12. The Borrower shall take all measures necessary to ensure that all staff, after receiving training financed under the Project, remain in their new assignments for a period of not less than three years.

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 and the Program of the departments or agencies of the Borrower responsible for carrying out the Project and the Program 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 three Special Accounts, the Project account and the Social Fund referred to in Sections 3.04 and 3.05, respectively, of this Agreement, and the eleven cost recovery accounts referred to in Section 3.06 of this Agreement 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 or the Swiss Contribution Account were made on the basis of statements of expenditure, the Borrower shall:

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

ARTICLE V

Remedies of the Association

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

(a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out; and

- (b) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the Swiss Contribution made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Swiss Contribution Agreement providing thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) 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.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (b) (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

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) all conditions precedent to the first disbursement of the Swiss Contribution, with the exception of the effectiveness of this Agreement, have been fulfilled;

(b) the Borrower has opened the Project account and paid into it an initial amount of 75 million CFAF, as required by Section 3.04 (b) and (c), respectively, of this Agreement;

(c) the Borrower has established the Social Fund as required by Section 3.05 (a) of this Agreement;

(d) the Borrower has: (i) prepared a plan, acceptable to the Association, for the restructuring of MSP's central and provincial units and redeployment of part of MSP's staff to health service delivery in the field; and (ii) appointed heads of all Priority Services;

(e) the Borrower has introduced a financial management and accounting system at all levels of the Borrower's health sector, designed to handle accounting and control of cost recovery for health care services;

(f) the Borrower has adopted a cost recovery system for health care services and drugs, acceptable to the Association, in the Project Area and has allowed hospitals, district and communal health facilities to retain the revenues resulting from such cost recovery; and

(g) the Borrower has: (i) assigned responsibility for drug procurement to MSP's Pharmaceutical Directorate; and (ii) completed a training course of said Directorate's staff in drug procurement procedures.

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

Section 6.03. In the event that Switzerland or the Association decides to terminate the functions of the Association as Administrator pursuant to paragraph 5 of the Arrangement, the Association shall notify the Borrower promptly of the date on which Switzerland shall assume the rights and obligations of the Association as Administrator under this Agreement.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, 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 302
Cotonou
People's Republic of Benin

Cable address:

MINIFINANCES
Cotonou

Telex:

MIFIN 5009 or
5289

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:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized

representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BENIN

By /s/ Theophile Nata

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit
and the Swiss Contribution

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit and the Swiss Contribution, the allocation of the amounts of such proceeds 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)	Swiss Contribution Allocated (Expressed in Swiss Francs Equivalent)	% of Expendi- tures to be Financed
(1) Civil works and equip- ping under Part C.4 of the Project:			100% of foreign expen- ditures and 90% of local expen- ditures
(a) phase 1	680,000	4,480,000	
(b) phase 2	760,000	4,800,000	
(c) phase 3	530,000	3,680,000	
(2) Rehabili- tation of Priority Services under Part A.1 of the Project	220,000	-	100%
(3) Furniture, equipment, materials and vehicles, except for Part C.4 of the Project	1,460,000	1,280,000	100%

(4) Consultants, and architects' services, fellowships and overseas training	700,000	2,000,000	100%
(5) Local training	600,000	-	50%
(6) Goods imported during the execution of the Program	7,600,000	-	100% of foreign expenditures
(7) Refunding of Project Preparation Advances	530,000	-	
(8) Unallocated	1,020,000	1,760,000	
TOTAL	14,100,000	18,000,000	

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; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

(c) the terms "phase 1", "phase 2" and "phase 3" mean the first, second and third phase of extension, rehabilitation and equipping pursuant to Part C.4 of the Project, in the districts of Toffo, Ouake and Lalo (phase 1), the districts of Allada, Djougou, Klouekarune and Bopa (phase 2), and Copargo, Ze, Dogbo and Toviklin (phase 3).

3. Notwithstanding the provisions of paragraph 1 above, no-withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement except that withdrawals may be made in respect of Category (6) of paragraph 1 above on account of payments made for expenditures before that date but after January 1, 1989;

(b) in respect of expenditures under Category (1) (a) of paragraph 1 above until the Association is satisfied with the progress and actions referred to in subparagraph 4 (b) below;

(c) in respect of expenditures under Categories (1) (b) and (1) (c) of paragraph 1 above, respectively, until the Association is satisfied that in the districts, rehabilitated under the previous phase in accordance with Part C.4 of the Project, facilities are fully staffed and priority curative and preventive programs have been successfully introduced.

4. No withdrawal shall be made and no commitment shall be entered into to pay amounts to the Borrower or others in respect of expenditures to be financed under Category (6) of paragraph 1 above:

(a) for:

(i) expenditures for goods included in the following SITC group or sub-groups, or any successor groups or sub-groups under future

revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

(ii) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower, excluding, if the currency of the Borrower is also that of another country, expenditures in such currency for goods supplied from the territory of such other country;

(iii) expenditures for goods procured under contracts costing less than \$10,000 equivalent;

(iv) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance;

(v) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption; and

(vi) expenditures in excess of an aggregate amount equivalent to SDR 1,500,000 for petroleum products and foodstuffs.

(b) after the aggregate of the proceeds of the Credit withdrawn from the Credit Account under Category (6) of paragraph 1 above, and the total amount of such commitments shall have reached the equivalent of SDR 2,500,000, unless the Association shall be satisfied, after the exchange of views as described in Section 3.02 (a) of this Agreement: (i) with the progress achieved by the Borrower in the carrying out of the Program; (ii) with the level of funding of the Borrower's health sector and the expenditures out of the Social Fund in the current and previous year; and (iii) that the actions described in Part A of Schedule 4 to this Agreement have been taken and are satisfactory to the Association; and

(c) after the aggregate of the proceeds of the Credit withdrawn from the

Credit Account under Category (6) of paragraph 1 above, and the total amount of such commitments shall have reached the equivalent of SDR 5,100,000, unless the Association shall be satisfied, after the exchange of views as described in Section 3.02 (a) of this agreement: (i) with the progress achieved by the Borrower in the carrying out of the Program; (ii) with the level of funding of the Borrower's health sector and the expenditures out of the Social Fund in the current and previous year; and (iii) that the actions described in Part B of Schedule 4 to this Agreement have been taken and are satisfactory to the Association.

5. If, after an exchange of views referred to in subparagraphs 4 (b) and (c) above, the Association is not so satisfied and this situation shall not be rectified by the Borrower within 90 days after notice thereof by the Association, then the Association may, by notice to the Borrower, cancel the remaining amount of the Credit allocated to Category (6) of paragraph 1 above, or any part thereof.

SCHEDULE 2

Description of the Project

The objectives of the Project are to improve the organization and management of the Borrower's health system, to enhance efficient allocation of health sector finances and to strengthen and improve the quality and coverage of basic preventive and curative health services, especially in rural areas.

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: Sector Management and Organization

1. Strengthening of MSP's strategic planning, programming and administrative capacity through reorganization of divisions responsible for the development of priority programs, introduction of mechanisms for decision making and coordination of health programs, and rehabilitation of existing facilities of Priority Services.
2. Mobilization of communities for decision making, management, monitoring, construction and maintenance in the health, hygiene and environmental protection area.
3. Design and implementation of a personnel management system and a staff redeployment program.
4. Improvement of monitoring and coordination of activities in the health sector by PCMC.
5. Institution within the provincial health directorates in the Project Area of a system to manage and supervise health service delivery.
6. Organization of Project launch and annual review workshops to develop work programs at the communal, district and provincial levels.
7. Development of in-service training programs for MSP's personnel in Cotonou and in the provincial health directorates in the Project Area, in health planning, health management and health services delivery.
8. Training of provincial directors and district medical officers in the Project Area in health planning and management.
9. Improvement of MSP's capabilities to procure pharmaceuticals and medical supplies.
10. Technical training of staff of health facilities at the communal, district and provincial level.

Part B: Sector Investment and Financing

1. Rationalization of investment decisions in the health sector through institution of a system of three-year rolling investment plans and budgeting processes.
2. Introduction and expansion of programs and financial management and accounting systems pursuant to which the cost of health care and drugs are recovered at all

levels of the Borrower's health care system.

Part C: Health Services Delivery

1. Development of an essential generic drugs program, and procurement and distribution of such drugs to all public facilities.
2. Seminars for provincial medical officers, other provincial paramedical and administrative staff of MSP and members of community health management committees on the use, stockage and financial management of essential generic drugs.
3. Institution of an in-service training program to upgrade technical skills of medical and paramedical staff in prescribing of essential generic drugs.
4. Extension, rehabilitation and equipping of about 11 districtlevel and about 77 communal-level health and drug storage facilities in the Project Area, in three phases.
5. Training of technical personnel in preventative maintenance of health facilities, vehicles and technical equipment.
6. Provision of health education to the general public.
7. Implementation of environmental hygiene and sewerage programs in poor urban areas and squatters areas, and community-based selfhelp programs to improve living circumstances.
8. Establishment of a system in each province for dealing with high-risk pregnancies and other medical and surgical emergencies.

* * *

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

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works for the Project

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).
2. To the extent practicable, contracts shall be grouped in bid packages to permit bulk procurement.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in People's Republic of Benin may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Contracts estimated to cost between the equivalents of \$30,000 and \$150,000, up to an aggregate amount not to exceed the equivalent of \$1,900,000, may be awarded on the basis of competitive bidding advertised locally in accordance with procedures satisfactory to the Association.
2. Contracts estimated to cost less than the equivalent of \$30,000, up to an

aggregate amount not to exceed the equivalent of \$700, 000, may be awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Medical equipment and drugs may be procured through the United Nations Children Fund in accordance with said Fund's own procedures.

Part E: 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 for civil works, and with respect to each contract for goods estimated to cost the equivalent of \$50,000 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 a 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 a 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 a 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 subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account or the Swiss Contribution Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

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

Section II. Employment of Consultants

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

Section III. Procurement of Goods other than for the Project, during the execution of the Program

1. Contracts for the procurement of goods estimated to cost the equivalent of \$1,000,000 or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

(i) a notice in the United Nations publication, Development Forum, Business Edition; or

- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for goods estimated to cost the equivalent of less than \$1,000,000 each shall be awarded on the basis of:

(a) price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association, if procured by the Borrower, its political subdivisions or state-owned enterprises; and

(b) price quotations solicited from a list of at least two suppliers eligible under the Guidelines or in accordance with the normal procurement procedures of the purchaser of such goods, acceptable to the Association if procured by private entities.

3. Medical equipment and drugs may be procured through the United Nations Children Fund in accordance with said Fund's own procedures.

4. With respect to each contract referred to in paragraphs 1, 2 and 3 above, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract.

5. Notwithstanding the provisions of paragraph 4 above, where payments under a contract are to be made out of the proceeds of the Special Account Program, the copies of such documentation and the information to be furnished to the Association pursuant to the provisions of paragraph 3 above shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 5 to this Agreement.

6. The provisions of the preceding paragraphs 4 and 5 shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure.

SCHEDULE 4

Actions Referred to in Paragraph 4 of Schedule 1 to this Agreement

Part A: For the purposes of the second tranche release

1. Restructuring of MSP and redeployment of its staff in accordance with the Borrower's restructuring plan referred to in Section 6.01 (d)(i) of this Agreement.

2. Adoption of a framework regulating the sale of drugs and the operation of clinics by the private sector.

3. Evaluation of the Borrower's cost recovery measures for health services in the Project Area, referred to in Section 6.01 (f) of this Agreement, including, inter alia, a review of price levels of drugs and health care services and the ability of consumers to pay for said drugs and services.

4. Adoption of a program for nationwide implementation of costrecovery measures for drugs and health services, acceptable to the Association.

5. Establishment of a non-profit institution, in a form acceptable to the Association, for the non-exclusive procurement, distribution and stock management of pharmaceutical products in the Borrower's territory.

6. Agreement between the Borrower and the Association on a three-year rolling investment plan for the health sector covering the years 1990 to 1992 and a recurrent budget for the year 1990, both in accordance with Section 3.07 of this Agreement.

7. Completion of a performance review of the regulatory framework establishing the Borrower's reference list of essential drugs and a national drugs formulary.

Part B: For the purposes of the third tranche release

1. Agreement between the Borrower and the Association on a three year rolling investment plan for the health sector covering the years 1991 to 1993 and a recurrent budget for the year 1991, both in accordance with Section 3.07 of this Agreement.

2. Completion of a performance review of:

(a) the institution referred to in Part A.5 of this Schedule and discussion of said review between the Borrower and the Association;

(b) the nationwide implementation of the cost recovery program referred to in Part A.4 of this Schedule; and

(c) the regulatory framework establishing the Borrower's reference list of essential drugs and national drugs formulary.

3. Redeployment of MSP staff in accordance with the Borrower's restructuring plan referred to in Section 6.01 (d)(i) of this Agreement.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) in the case of IDA Special Account, Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; (ii) in the case of Swiss Special Account, Categories (1), (3) and (4) of said table; and (iii) in the case of Program Special Account, Category (6) of said table;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of: (i) goods and services required for the Project to be financed out of the proceeds of the Credit and the Swiss Contribution; and (ii) goods imported during the execution of the Program, 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: (i) an amount of CFAF 120 million to be withdrawn from the Credit Account and deposited into the IDA Special Account; (ii) an amount of CFAF 120 million to be withdrawn from the Swiss Contribution Account and deposited into the Swiss Special Account; and (iii) an amount of CFAF 450 million to be withdrawn from the Credit Account and deposited into the Program Special Account, all pursuant to paragraph 3 (a) of this Schedule.

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

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and the Swiss Contribution Account, and deposit into the appropriate Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) The Borrower shall furnish to the Association requests for replenishment of a Special Account at such intervals as the Association shall specify; and

(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 the Swiss Contribution Account and deposit into the appropriate 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 made out of that Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account and the Swiss Contribution 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 a 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 a 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 or the Swiss Contribution 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 or the Swiss Contribution 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 or the Swiss Contribution Account of the remaining unwithdrawn amount of the Credit or the Swiss Contribution 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 a 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 a 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 said 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 said 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 a 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 a 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 or the Swiss Contribution Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

PCMC and PCB

1. The PCMC is charged with the follow-up of all intermediate steps needed for the

adoption and implementation of reforms contained in the Program, coordination of foreign donor assistance and supervision of Project activities.

The PCMC will closely coordinate with the Association and Switzerland with regard to implementation of the Borrowers new national health strategy for 1989-1993 and the Program.

PCMC shall convene at least each quarter to review the progress in the implementation of the Program, and at each second such meeting to review also all health sector programs financed in part or in whole by foreign donor agencies. PCMC shall furnish to the Association reports of such quarterly reviews in a format acceptable to the Association within a reasonable period.

PCMC shall prepare, not later than December 31 of each year the Project is carried out, annual work programs and financial plans with respect to the achievements and objectives of the Project on the basis of the indicators set forth in the Program.

The secretariat of PCMC is assured by DEP.

2. PCB is headed by the Director General of MSP and is staffed with permanent personnel of MSP in the following full-time functions: a national Project coordinator; a deputy national Project coordinator for administration and finance; an administrator; a pharmacist; a civil engineer; an accountant; and support staff. PCB shall carry out the day-to-day Project management and the technical coordination with those working on parts of the Project. It prepares draft work plans and budgets, supervises procurement of goods, works and services, prepares disbursement requests and monitors disbursements.

