

CONFORMED COPY

CREDIT NUMBER 2679 UG

Development Credit Agreement

(District Health Services Pilot
and Demonstration Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 19, 1995

CREDIT NUMBER 2679 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 19, 1995, between THE REPUBLIC OF UGANDA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter dated November 10, 1994 from the Borrower describing a program of actions, objectives and policies designed to strengthen the health sector of its economy (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 of the Program, 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;

(C) the Borrower intends to contract from Swedish International Development Agency (SIDA) a grant (the SIDA Grant) in an amount equivalent to \$7,000,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the SIDA Grant Agreement) to be entered into between the Borrower and SIDA;

(D) the Borrower intends to contract from Kreditanstalt fur Wiederaufbau (KfW) a grant (the KfW Grant) in an amount equivalent to \$9,000,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the KfW Grant Agreement) to be entered into between the Borrower and KfW;

(E) the Borrower intends to contract from the Danish International Development Agency (DANIDA) a grant (the DANIDA Grant) in an amount equivalent to \$5,000,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the DANIDA Grant Agreement) to be entered into between the Borrower and DANIDA;

(F) the Borrower intends to contract from the Overseas Development Administration of the United Kingdom (ODA) a grant (the ODA Grant) in an amount equivalent to \$2,200,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the ODA Grant Agreement) to be entered into between the Borrower and ODA;

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) "MOH" means the Borrower's Ministry of Health;
- (b) "MOFEP" means the Borrower's Ministry of Finance and Economic Planning;
- (c) "MOLG" means the Borrower's Ministry of Local Government;
- (d) "MJCA" means the Borrower's Ministry of Justice and Constitutional Affairs;
- (e) "NGO" means a non-governmental organization;
- (f) "CBO" means a community-based organization;
- (g) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and
- (h) "Implementation Manual" means the implementation manual referred to in paragraph 4 of Schedule 4 to this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to

in the Development Credit Agreement, an amount in various currencies equivalent to thirty million nine hundred thousand Special Drawing Rights (SDR 30,900,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against setoff, 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.

Section 2.03. The Closing Date shall be December 31, 2002 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 (60) 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 March 1 and September 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 semiannual installments payable on each March 1 and September 1 commencing March 1, 2005 and ending September 1, 2034. Each installment to and including the installment payable on September 1, 2014 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, MOH, District Administrations, NGOs, CBOs and private health service providers all 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. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Borrower and the Association shall, not later than December 31, 1997, undertake a joint comprehensive review of the Project, during which they shall exchange views generally on all matters relating to the progress made in the carrying out of the Project and the performance by the Borrower of its obligations under this Agreement; including, but not limited to (i) a review of the achievements of the Project, having regard to performance indicators agreed upon between the Borrower and the Association; (ii) the implementation and management aspects of the Project; (iii) implementation procedures in each District, (iv) performance and use of technical assistance personnel; (v) the role of national counterpart staff; (vi) the status and results of training; (vii) reporting, accounting and audit performance; (viii) disbursement procedures; and (ix) the sustainability of the Project.

(b) Not later than sixty days prior to the review referred to in (a) above, the Borrower shall furnish to the Association,

for its comments, a report, in such detail as the Association shall reasonably request, on the progress and status of the Project including, an evaluation of the progress achieved in implementing the various components of the Project, and a draft plan containing proposals for remedying any identified deficiencies.

(c) Following such review, the Borrower shall act promptly and diligently, in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project. To this end the Borrower shall (i) prepare an action plan satisfactory to the Association based on the recommendations stemming from the aforementioned review, and (ii) adopt and implement such plan for the remainder of the Project period.

Section 3.04. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

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

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments, agencies and Districts of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including, in the case of NGOs and CBOs, a separate opinion by said auditors on the performance of such NGOs and CBOs under the Project, and, in particular, the extent of their compliance with the Implementation Manual; 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.

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.

(b) (i) Subject to paragraph (ii) of this Section:

- (A) the right of the Borrower to withdraw the proceeds of any loan or grant 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 Agreement providing therefor, or
- (B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Paragraph (i) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring 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.

(c) the SIDA Grant Agreement, the KfW Grant Agreement, the DANIDA Grant Agreement or the ODA Grant Agreement shall have failed to become effective by October 1, 1995 or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower

establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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 Section 5.01 (b) (i) (B) of this Agreement shall occur, subject to the proviso of Section 5.01 (b) (ii) of this Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Implementation Manual for all components of the Project has been finalized and furnished to the Association.

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.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Borrower's Minister 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:

Ministry of Finance and Economic Planning
P.O. Box 8147
Kampala, Uganda

| | |
|-------------------|--------|
| Cable address: | Telex: |
| FINSEC Kampala | 61170 |

For the Association:

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

| | |
|-----------------------------|--|
| Cable address: | Telex: |
| INDEVAS Washington, D.C. | 248423 (RCA) 82987 (FTCC) 64145 (WUI) or 197688 (TRT) |

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

THE REPUBLIC OF UGANDA

By /s/ Stephen K. Katenta Apuli
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Stephen Denning
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

| Category | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
|---|---|---|
| (1) Civil Works: | | 100% of foreign expenditures and 80% of local expenditures |
| (a) for Part A of the Project | 1,510,000 | |
| (b) for Part B of the Project | 6,860,000 | |
| (2) Equipment, Materials and Furniture: | | 100% of foreign expenditures, 100% of local expendi- tures (ex-factory cost) and 90% of local expendi- tures for other items procured locally |
| (a) for Part A of the Project | 2,400,000 | |
| (b) for Part B of the Project | 4,800,000 | |
| (c) other | 690,000 | |
| (3) Medical Supplies, Drugs: | | 100% of foreign expenditures and 95% of local expenditures |
| (a) for Part A of the Project | 550,000 | |
| (b) for Part B of the Project | 1,030,000 | |
| (c) other | 140,000 | |
| (4) Training | 3,430,000 | 90% |
| (5) Technical Assistance, | 3,100,000 | 100% of foreign expenditures and |

| | | |
|---|------------|---------------------------|
| Consultants' Services, Studies and Research | | 90% of local expenditures |
| (6) Incremental Recurrent expenditures | 3,290,000 | 80% |
| (7) Unallocated | 3,100,000 | |
| TOTAL | 30,900,000 | ===== |

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; and

(c) the term "incremental recurrent expenditures" means expenditures incurred for supplies and the operation and maintenance of equipment, vehicles and building financed under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, and (b) expenditures incurred in respect of Category 1(b), 2(b) and 3(b) unless the Association receives evidence confirming that the pilot activities in Part A of the Project have been successfully completed including evidence that: (i) at least 60% of the proceeds of the Credit allocated to Categories (1) (a) and (2) (a) have been disbursed to the Districts referred to in Part A of the Project; and (ii) satisfactory progress reports with respect to Part A of the Project comprising (A) quarterly comprehensive progress reports, plans and financial reports all consistent with the Implementation Manual, and (B) a report of completion of scheduled management training programs for District health teams have been furnished to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure:

(a) for expenditures for goods and works under contracts not exceeding \$200,000 equivalent; and

(b) for expenditures for services under consultants' contracts not exceeding (i) \$100,000 equivalent for consulting firms, and (ii) \$50,000 equivalent for individuals 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 test, on a pilot basis, and demonstrate the feasibility of delivering an essential health services package to district populations, within a prudential financial policy framework, through an integrated program of policy, institutional and financial improvements in order to improve efficiency and equity in the provision of health services.

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

Part A: Pilot Activities

Support for pilot activities in the Districts of Mukono, Masindi and Soroti for the delivery of an essential health package to local populations including:

- (1) measurement of the absorption capacity at the district level;
- (2) testing different ways of delivering the health package including contracting out, block grants and voucher schemes;
- (3) refining the health package in light of experience gained; and
- (4) strengthening MOH's capability to provide managerial and technical support to the Districts.

Part B: Demonstration Activities

Delivery of a refined health services package to populations in about ten Districts, including the Districts of Mukono, Masindi and Soroti based on an evaluation of the pilot activities carried out under Part A of the Project.

Part C: Capacity Building for District Health Administrations

- (1) Strengthening the planning, management and evaluation capacity of District Health Administrations.
- (2) Rehabilitation and equipping of health units.
- (3) Training and selective computerization for budgeting, accounting and health information systems.
- (4) Introduction of a quality assurance program.

Part D: Restructuring and Capacity Building for MOH

Strengthening MOH's capacity to implement the Borrower's decentralization policy including (a) its policy, planning and inspection functions, (b) its monitoring and evaluation capacity, and (c) improvements in its internal efficiency.

* * *

The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

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 1992 (the Guidelines), and in accordance with the following additional procedures:

- (a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and

award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Association's prior review in accordance with the provisions of Part E.1(a) of this Section, the Association's prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. To the extent practicable, contracts for equipment, materials and furniture shall be grouped into bid packages estimated to cost the equivalent of \$200,000 or more.

3. Goods procured under international competitive bidding procedures will not be subject to price verification under preshipment inspection.

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 Uganda 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. Items or groups of items for equipment, materials and furniture estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$1,000,000 and civil works at District and community level estimated to cost the equivalent of \$500,000 or less per contract up to an aggregate amount equivalent to \$10,200,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items for equipment, materials and furniture estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$100,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Items or groups of items for equipment, materials and furniture estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$100,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three

suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

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 estimated to cost the equivalent of \$200,000 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 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. 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 Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, this exception to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the

employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

General

1. The Permanent Secretary, MOH, in his capacity as Project Director, shall be responsible for overall Project coordination, and shall be assisted by the Project Coordination Unit (PCU) within MOH. PCU shall be headed by a Project coordinator, to be maintained for the duration of Project implementation and whose qualifications shall at all times be satisfactory to the Association, and shall include at least: (a) a Project manager, three accountants, a procurement specialist, an engineer and three secretaries; and (b) two district support teams each comprising an implementation management and a primary health care specialist.
2. The Borrower shall establish and maintain a Project Steering Committee, which shall have an advisory role to PCU, and shall be chaired by the Permanent Secretary, MOH, and comprise representatives of MOH, MOLG, MOFEP and MJCA, and other interested parties that may be invited from time to time. The Project coordinator shall act as secretary to the Steering Committee which shall meet at least on a quarterly basis.
3. PCU shall, inter alia: (a) compile and consolidate progress reports to the Project Steering Committee; (b) approve progress reports from the Districts as a condition for continued flow of funds; (c) review the indicators used for assessing Project progress and impact; (d) initiate evaluation/research activities connected to the Project; (e) monitor research/evaluation activities related to the Project; (f) obtain copies of all assessments, studies and analyses conducted and develop a set of general findings and lessons learned; and (g) approve terms of reference for designing and implementing evaluation activities.
4. The Borrower shall carry out the Project in accordance with a comprehensive implementation manual which shall at all times: (a) be satisfactory to the Association, and (b) cover all components of the Project, subject to modifications based on implementation experience, the evaluation of the pilot phase or the comprehensive review referred to in Section 3.03 of this Agreement.
5. The Borrower shall take all measures necessary to ensure that: (a) annual work programs for the implementation of the Project are prepared at the same time as the Borrower's national budget; (b) appropriate line items are included in the national budget to ensure that counterpart funds are readily available at all times to finance the Borrower's share of the cost of the Project; and (c) the Association is furnished with annual reports confirming that funds allocated in the preceding year's national budget have indeed been used for the intended purposes.
6. At the District level, the District Medical Officer shall be responsible for the coordination and implementation of essential health packages, with the support of the respective District Health Management Teams and the assistance of the District Executive Secretary and the District Resistance Councils.
7. The Borrower shall ensure that: (a) only Districts whose recurrent budgets have been decentralized are eligible to participate in the pilot and demonstration phases to be carried out under Parts A and B of the Project; (b) any proposed changes to the essential health services package are submitted for the Association's review and comment prior to implementation; (c) periodic reviews are carried out, at least annually, to evaluate

progress made in the implementation of demonstration activities under Part B of the Project, with emphasis on the administrative and logistical aspects of sustaining service delivery; and (d) the pace of expansion and replication of services in each District is subject to satisfactory performance based on quarterly plans and progress reports and completion of scheduled management training programs for district health teams, all consistence with the Implementation Manual indicators satisfactory to the Association.

Part C of the Project

8. The District Medical Officer, who is accountable to the Permanent Secretary MOH, shall be responsible for inspection and control of health operations, including financial control, and monitoring and controlling of financial resources collected through cost recovery. Health Management committees comprising community and NGO representatives shall be set up to manage resources and participate in program development in each District at Resistance Committee V level.

9. The Borrower shall take all measures necessary to ensure that: (a) NGOs engaged in the provision of health services are (i) encouraged to carry out school health activities, (ii) increase the number of units offering reproductive health services, (iii) extend community-based commodity sales and maintenance programs and (iv) extend use of pit latrines through financial support for community water initiatives; and

(b) NGO and CBO staff are given adequate training and NGOs and CBOs are provided with supplies and equipment for public health activities necessary to enable NGOs and CBOs to provide packages of essential health services.

10. (a) MOH shall, in consultation with NGOs, CBOs and relevant ministries and agencies of the Borrower, appoint an independent panel comprising about eight to ten members including representatives of NGOs, CBOs and the Borrower.

(b) The panel shall, inter alia, review and, based on evaluation criteria satisfactory to the Association, (including technical, financial, managerial, epidemiological and geographical considerations) recommend those proposals submitted by NGOs and CBOs which are eligible to benefit from training and supplies referred to in paragraph 9 (b) above.

(c) MOH shall carry out annual reviews of all NGO and CBO activities through an independent evaluation and monitoring agency satisfactory to the Association.

11. In order to encourage the development of private health units, the Borrower shall: (a) take all measures necessary to carry out a study to review the existing legal and regulatory framework to eliminate any entry barriers for the private sector and to establish minimum standards; and (b) provide private health units operating in underserved areas identified by the Borrower in consultation with the Association, with equipment not exceeding the equivalent of \$25,000 for each health unit, from a pre-approved list.

12. In order to increase the managerial autonomy of health units and encourage the making of decisions on resource allocation at the local level, the Borrower shall take all measures necessary to: (a) involve NGO units, with good performance record, in the supervision of Government health units and community-based activities in the NGOs vicinity, on the basis of contractual arrangements entered into with such NGOs, including a suitable management development plan for the health unit, and a set of monitorable indicators focusing on financial sustainability and service use.

13. The Borrower shall take all measures necessary to:

- (a) improve the effectiveness of training institutions in the health sector through, inter alia:
 - (i) authorizing managers of training institutions to pay staff incentives;
 - (ii) charging fees to students;
 - (iii) rehabilitation and equipping of training schools;
 - (iv) curricula reform; and
 - (v) delegation of training responsibility to the Districts; and

(b) give training institutions supported under the Project the necessary administrative and financial autonomy (except for the policy on admissions, which shall be retained by MOH), and ensure that, while the training institutions shall continue to be accountable to MOH for all technical matters, MOH will provide them with funding for a period of at least five years from the Effective Date of this Agreement.

14. The Borrower shall (a) carry out studies and experiment with (i) contracting out to NGOs, nationwide, and (ii) District hospitals and health centers in Kamuli and Kampala districts, not later than one year after the Effective Date of this Agreement and (b) promptly thereafter furnish the findings of the study, together with a plan for the implementation of recommendations made in the study, to the Association for its review and comments.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$750,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or to or exceed the equivalent of SDR 2,000,000.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests

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

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

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

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

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

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

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall

specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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

