

CONFORMED COPY

CREDIT NUMBER 2251 MAG

Agreement Providing for Amendment
and Restatement of
Development Credit Agreement

(Health Sector Improvement Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 24, 1996

CREDIT NUMBER 2251 MAG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 24, 1996, between REPUBLIC OF MADAGASCAR (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower and the Association have agreed to amend the Development Credit Agreement between the Borrower and the Association, dated June 12, 1991, (hereinafter called the Development Credit Agreement) in the manner hereinafter set forth; and

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE 1

Section 1.01. The Development Credit Agreement is hereby amended and restated in its entirety so as to read as set forth in the Annex hereto.

Section 1.02. This Agreement shall become effective upon receipt by the Association of evidence satisfactory to the Association that the execution and delivery of this Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental or corporate actions.

Section 1.03. As part of the evidence to be furnished pursuant to Section 1.02 (a) of this Agreement, there shall be furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association showing, on behalf of the Borrower, that this Agreement has been duly authorized and

ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms.

Section 1.04. This Agreement shall come into force and effect on the date upon which the Association dispatches to the Borrower notice of its acceptance of the evidence and notification required by Section 1.02 of this Agreement.

Section 1.05. If this Agreement shall not have come into force and effect by December 31, 1996, this Agreement and all obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Agreement shall terminate under the provisions of this Section, the Development Credit Agreement shall be canceled.

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

REPUBLIC OF MADAGASCAR

By /s/ Mohamady Faharouddine

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Andrew Rogerson

Acting Regional Vice President
Africa

ANNEX
To Agreement providing
for Amendment and
Restatement of Development
Credit Agreement dated
June 12, 1991

CREDIT NUMBER 2251 MAG

Amended And Restated
Development Credit Agreement

(Health Sector Improvement Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 12, 1991
As amended and restated on June 24, 1996

CREDIT NUMBER 2251 MAG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 12, 1991, as amended and restated on June 24, 1996, between REPUBLIC OF MADAGASCAR (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower has stated in a letter, dated April 29, 1991, its program of policies and objectives designed to improve the efficiency of the health sector (the Health Sector Policy) and prepared a five year program of actions in support of the health sector (Health Sector Program) of an estimated cost equivalent to about \$100 million; as supplemented by an updated letter of sector policy, dated March 21, 1996, and a health policy document, dated April 1996;

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions 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) [Deleted];
- (c) "PIU" means the Borrower's Project Implementation Unit, to be maintained pursuant to paragraph 2 of Schedule 4 to this Agreement;
- (d) "DLMT" means the Directorate of Communicable Disease Control within MOH;
- (e) "DMP" means the Directorate for Preventive Medicine within MOH;
- (f) "DEPP" means the Directorate of Studies, Planning and Programming within MOH;
- (g) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to exchanges of letters dated December 15, 1989, December 28, 1989, May 2, 1991 and May 7, 1991 between the Borrower and the Association;
- (h) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (i) "MCH" means maternal and child health;
- (j) "FP" means family planning; and
- (k) [Deleted].

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty-two million nine hundred thousand Special Drawing Rights (SDR 22,900,000).

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 as identified in annual work programs referred to in paragraph 6 of Schedule 4 to this Agreement 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 shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against 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.

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

Section 2.03. The Closing Date shall be June 30, 1999, 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 canceled; 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 February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 commencing August 15, 2001 and ending February 15, 2031. Each installment to and including the installment payable on February 15, 2011 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 Part A of the Project through the MOH Directorate for Communicable Disease Control, Part B of the Project through the MOH Directorate for Pharmacies, Part C of the Project through the MOH Unit in Charge of Health District Development, Part D.1 through the MOH General Directorate, Part D.2 and D.3 of the Project through the MOH Directorate for Human Resources, Part D.4 of the Project through MOH Unit in Charge of IEC and Part D.5 of the Project through the MOH Planning Unit, with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation upon the provisions of paragraph (a) of this Section, the Borrower shall, for the purpose of making available its contribution, open and maintain a separate account, make an initial contribution of the equivalent of \$100,000 into such account and replenish such account up to the amount of the initial contribution on a monthly basis.

(c) 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.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

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

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of

such scope and in such detail as the Association shall have reasonably requested; 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

Effective Date; Termination

Section 5.01. 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) [Deleted];

(b) the Borrower has appointed: (i) an administrative officer within PIU, with the specific task of Project administration, whose qualifications and experience are satisfactory to the Association; (ii) a physician, two midwives and one public information specialist within the family planning unit of DMP; and (iii) a training coordinator for each province;

(c) the Borrower has submitted an annual work program for 1992, acceptable to the Association; and

(d) the Borrower has made an initial deposit of the equivalent of \$100,000 into the account referred to in Section 3.01 (b) of this Agreement.

Section 5.02. 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 VI

Representatives of the Borrower; Addresses

Section 6.01. The Minister of the Borrower responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministère des Finances et du Budget
B.P. 61
Antananarivo

Madagascar

Cable address:

Telex:

MINFIN
Antananarivo

224 89-MG

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.

REPUBLIC OF MADAGASCAR

By /s/ Pierrot J. Rajaonarivelo

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	2,100,000	100% of foreign expenditures and 85% of local expenditures
(2) Equipment, material, and vehicles	5,400,000	100%
(3) Consultants'	5,700,000	100%

	services, studies and training		
(4)	Drugs, medical supplies, and insecticides under Part A of the Project	6,700,000	100%
(5)	Drugs under Part B and C.3 of the Project	1,600,000	100%
(6)	Incremental operating costs	1,300,000	85% of local expenditures
(7)	Refunding of Project Preparation Advance	100,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(8)	Unallocated	00,000	
	TOTAL	22,900,000	

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 operating cost" means incremental expenditures arising under the Project on account of maintenance and operation of vehicles, equipment and buildings; travel allowances; rental of office space; office administration and communications; and banking charges related to operating the special account.

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) payment made, or to be made, for expenditures under Category (5) of the table set forth in paragraph 1 of this Schedule, unless the Borrower has introduced a cost recovery mechanism for the distribution of essential drugs prescribed by health agents authorized by MOH, satisfactory to the Association.

SCHEDULE 2

Description of the Project

The objectives of the Project are to achieve significant decreases in mortality and morbidity rates by helping the Borrower to strengthen priority disease control programs and epidemiological surveillance, increase availability and affordability of essential drugs, improve the quality of district health services and promote community-managed cost recovery, and strengthen management and planning capacity of MOH.

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: Communicable Disease Control Programs

Support to the implementation of national priority disease control programs, including:

(a) improvement of diagnostic and treatment techniques, through the elaboration and evaluation of protocols and policy guidelines, training of MOH staff

and village agents, provision of laboratory equipment and supplies, and rehabilitation of specialized disease control laboratories and treatment facilities;

(b) regular supply of anti-tuberculosis drugs and supply of drugs required in case of health emergencies;

(c) implementation of vector control programs, including vector control campaigns, through the provision of vehicles, equipment and supplies, technical assistance for monitoring the disease vectors and supervision of field activities;

(d) strengthening of epidemiological surveillance, program evaluations and applied research, through the rehabilitation of the central surveillance unit and sentinel posts, provision of technical assistance, equipment, supplies and training;

(e) public information activities, including use of media to broadcast public health messages; and

(f) strengthening of management capacity of national programs, through rehabilitation of offices and provision of equipment and supplies, technical assistance and training.

Part B: Improvement of Drug Availability and Affordability

Support to the establishment and operation of a private non-profit drug procurement unit, including the purchase of essential drugs in order to constitute its revolving fund.

Part C: Support to district health services and community-managed cost recovery

1. Establishment and operation of central and regional units of MOH in charge of strengthening management and planning capacity of health districts and promoting community-managed cost recovery on drugs.

2. Implementation of annual development plans at the district level, based on eligibility criteria, including: (a) rehabilitation and equipment of district health facilities and support to their operating cost, and (b) upgrading of office facilities for district health teams, provision of vehicles and equipment and support to their health, training and supervision activities.

3. Supply of drugs to establish revolving funds for cost-recovery systems managed by communities.

Part D: Institutional Development

1. Formulation of a health sector investment program and updating of norms and standards for health services.

2. Improvement of human resource management, through computerization of personnel management, development of a plan to redeploy health staff, and strengthening of the unit of MOH in charge of personnel management.

3. Upgrading of in-service training programs for health personnel, through development of a training policy and plan, upgrading of existing training modules, training of trainers, and strengthening of the unit of MOH in charge of training and upgrading of personnel.

4. Strengthening of information, education and communication activities (IEC), through training of health personnel in IEC, production of IEC campaigns, monitoring of IEC activities and field supervision, and strengthening of the unit of MOH in charge of IEC.

5. Development of a management and information system at the district and central levels.

* * *

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. Bidders for supply of antituberculosis drugs required under the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

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 Madagascar 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: Other Procurement Procedures

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

2. Civil works estimated to cost the equivalent of \$50,000 or less, up to an aggregate of the equivalent of \$1.2 million, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three local contractors in conformity with procedures acceptable to the Association.

3. Furniture and equipment and other items that cannot be grouped in larger packages estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$500,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

4. Furniture, equipment and other small items, estimated to cost the equivalent of \$30,000 or less per contract, up to an aggregate amount equivalent to \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three local or international suppliers eligible under the Guidelines in accordance with procedures acceptable to the Association.

5. Drugs, pesticides, medical supplies and equipment required in health emergencies duly declared by the Borrower, pesticides for anti-malaria control program, vaccines and drugs for community managed drug revolving funds, shall be procured through United Nations Children's Fund Supply Division Procurement and Assembly Centre (UNIPAC), Inter-Agency Procurement Services Office (IAPSO) or World Health Organization (WHO), as the case may be, in accordance with procedures acceptable to the Association.

6. Technical assistance, training and support services for the national anti-malaria program, for a total amount not exceeding \$3,400,000, shall be procured through WHO, in accordance with procedures acceptable to the Association.

7. Technical assistance, training and management, and operating support services for the development of health districts, for a total amount not exceeding \$700,000, shall be procured through German Agency for Technical Cooperation (GTZ), in accordance with procedures acceptable to the Association.

8. Technical assistance, training and support services for the national anti-plague program, for a total amount not exceeding \$400,000, shall be procured through the Pasteur Institute of Madagascar (IPM), in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part (A) (2) hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

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

(a) With respect to each contract for works estimated to cost the equivalent of \$200,000 or more and with respect to each contracts 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 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 the Association has authorized withdrawals on the basis of statements of expenditure.

3. 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.

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 \$60,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$30,000 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 \$60,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$30,000 equivalent or above.

SCHEDULE 4

Implementation Program

Project Management, Coordination and Supervision

1. The General Director of Health within MOH will be responsible for overall coordination and supervision of Project activities.

2. During execution of the Project, the Borrower shall maintain the Project Implementation Unit (PIU) with adequate staff and to be headed at all times by an administrative officer whose qualifications and experience are satisfactory to the Association.

3. [Deleted].

4. [Deleted].

5. [Deleted].

Annual Work Program

6. During each year of execution of the Project the Borrower shall:

(a) prepare an annual work program, which shall be consistent with Health Sector Policy, in order to include:

- (i) [Deleted];
- (ii) all the activities to be carried out under the Project, a detailed list of items to be financed under the Credit during the following year and a budget therefor;
- (iii) training work programs with training schedules by province, all training activities to be undertaken by the central training unit within MOH and the six provincial core training teams;
- (iv) [Deleted];
- (v) a detailed financing plan for the activities referred to under subparagraph (ii) above, including financing provided by other donors; and
- (vi) a report on the implementation of last year's annual work programs

;

(b) arrange a meeting of donors interested in financing activities in the health sector in Madagascar to review the draft annual work program for the next year and to finalize the financing plan therefor;

(c) submit to the Association the final annual work program for the next year and shall be in such scope and in such detail as shall be satisfactory to the Association not later than September 30 of each year; and

(d) present a public expenditure program for the health sector for the next following year, satisfactory to the Association not later than September 30 of each year.

Midterm Review

7. By June 30, 1995, the Borrower shall:

(a) undertake a midterm review of the Project execution, including:

- (i) an assessment as to whether the strategies being followed are producing the expected results,
- (ii) a proposal for the pharmaceutical policy of the Borrower, and
- (iii) the development of the non-public sector activities in the health sector;

(b) furnish the Association a report on such midterm review;

(c) exchange views with the Association on such report; and

(d) take all necessary measures to remedy any problem that has been identified during such midterm review.

Cost Recovery of Drugs

8. By March 31, 1992, the Borrower shall present to the Association for comment a proposal for the introduction of a cost recovery mechanisms for the distribution of drugs prescribed by health agents authorized by MOH.

Leprosy and Tuberculosis Technical Committee

9. By January 31, 1992, the Borrower shall take all necessary measures to open the technical committees for tuberculosis and leprosy to all institutions active in those fields and, thereafter, to ensure that such technical committees meet regularly.

Provincial Training

10. By March 31, 1992, the Borrower shall appoint at least three qualified personnel

in each province to form a core training team responsible for training of health personnel and, thereafter, maintain such teams.

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 of \$1 million to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; and (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 sub-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.

