

CONFORMED COPY

IDA GRANT NUMBER H0210 SL

Development Grant Agreement

(Health Sector Reconstruction and Development Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 28, 2003

IDA GRANT NUMBER H0210 SL

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated February 28, 2003, between REPUBLIC OF SIERRA LEONE (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association was authorized, under Resolution No. 549 adopted on September 29, 2002, by the Board of Governors of the International Bank for Reconstruction and Development (the "Bank"), to use the funds transferred to the Association out of the Bank's fiscal year 2002 net income to provide financing in the form of grants and the development grant set forth in Section 2.01 of this Agreement (the Grant) is consistent with such policies; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Grant to the Recipient 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. (a) The following provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement.

- (i) Article I;
- (ii) Article II;
- (iii) Section 3.01;

- (iv) Sections 4.01, 4.02, 4.05 and 4.06;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02, 6.03, 6.04 and 6.06;
 - (vii) Article VIII;
 - (viii) Article IX;
 - (ix) Article X;
 - (x) Article XI; and
 - (xi) Sections 12.01, 12.02, 12.03, 12.04 and 12.05.
- (b) The General Conditions shall be modified as follows:
- (i) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
 - (ii) the term “Development Credit Agreement”, wherever used in the General Conditions, means this Development Grant Agreement;
 - (iii) the term “Credit” and “credit”, wherever used in the General Conditions, means the Grant;
 - (iv) the term “Credit Account”, wherever used in the General Conditions, means the Grant Account; and
 - (v) Section 12.05 is modified to read as follows:

“This Development Grant Agreement and all obligations of the parties thereunder shall terminate on February 28, 2015.”

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) “District Health Management Teams” means the teams set up by MOHS (as hereinafter defined) within each district, to be responsible for, among other things, preparing annual district budgets, planning, financial management, disbursements and supervision of MOHS (as hereinafter defined) activities within each district;

(b) “DOTS” means Direct Observed Treatment Short-course, a strategy promoted by the World Health Organization to control tuberculosis;

(c) “Environmental Management Plan” means the plan dated November 2002, prepared by the Recipient and referred to in paragraph C.1 of Schedule 4 to this Agreement, which sets out the environmental protection measures in respect of the Project, including plans for medical waste management and solid waste management, as well as the administrative and monitoring arrangements to ensure the implementation of said plan, as such plan may be revised from time to time with the agreement of the Association;

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

(e) “Health Sector Goods” means Pharmaceuticals (as hereinafter defined), medical and medical support equipment and ambulances;

(f) “HIV/AIDS” means Human Immuno-Deficiency Virus / Acquired Immune Deficiency Syndrome;

(g) “IEC” means Information, Education and Communication activities;

(h) “Leones” means the currency of the Recipient;

(i) “MOHS” means the Recipient’s Ministry of Health and Sanitation;

(j) “NGO” means a non-governmental organization operating under the laws of the Recipient;

(k) “Pharmaceuticals” means drugs, vaccines, reagents, contraceptives, micro-nutrients and/or condoms;

(l) “Priority Districts” means the Recipient’s districts of Bombali, Koinadugu, Kono and Moyamba, identified and selected by the Recipient for purposes of this Project;

(m) “Private Sector” means Private Sector entities operating under the laws of the Recipient, including, but not limited to, NGOs, religious leaders, local communities, companies and groups of people or organizations, which/who are involved in health sector related activities and which/who are participating in or may participate in activities under the Project;

(n) “Project Implementation Plan” means the plan referred to in paragraph B of Schedule 4 to this Agreement, as the same may be amended from time to time in agreement with the Association, and such term includes an operational manual, an accounting manual, a procurement plan and any other schedules to the Project Implementation Plan;

(o) “Project Preparation Advance” means the project preparation advance granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on May 29, 2002 and on behalf of the Recipient on July 8, 2002;

(p) “Resettlement Policy Framework” means the policy framework dated October 2002, prepared by the Recipient and referred to in paragraph C.2 of Schedule 4 to this Agreement, which sets out the principles and procedures governing land acquisition, resettlement, compensation and rehabilitation of displaced persons, as well as administrative, reporting and monitoring arrangements to ensure compliance with the framework as such framework may be revised from time to time with the agreement of the Association;

(q) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement; and

(r) “TB” means Tuberculosis.

ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to fifteen million one hundred thousand Special Drawing Rights (SDR 15,100,000) (the Grant).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for

expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Grant.

(b) The Recipient 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 set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Recipient, withdraw from the Grant 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 February 28, 2008 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.04. (a) The Recipient shall pay to the Association commitment charges on the principal amount of the Grant respectively not withdrawn from time to time at rates 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 charges 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 Recipient from the Grant Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charges 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 Recipient; 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. Commitment charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.06. 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 Recipient 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 with due diligence and efficiency and in conformity with appropriate public health, resettlement, administrative and financial 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 Recipient and the Association shall otherwise agree, the Recipient 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 Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. Without limitation to its obligations under Section 3.01 of this Agreement, the Recipient shall, for the purposes of making available its counterpart contribution to the financing of the Project:

(a) open, and maintain for the duration of the Project, an account (hereinafter referred to as the Project Account) in Leones in a commercial bank on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account an amount (hereinafter referred to as the Initial Amount) equivalent to \$25,000, and thereafter:

(i) once each calendar quarter for the first year after the Effective Date replenish the Project Account up to the Initial Amount; and thereafter; and

(ii) once each quarter, replenish the Project Account, up to the amount agreed upon during the immediately preceding of the reviews referred to in Paragraph D.2 of Schedule 4 to this Agreement; and

(c) ensure that funds deposited into the Project Account shall be used only for the purposes of defraying the cost of expenditures incurred in the execution of the Project which are not financed out of the proceeds of the Grant.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, a plan to ensure the sustainability of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

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

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B)

an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

- (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

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

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

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

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and planned uses of such funds;

- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

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

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Recipient has opened a Project Account pursuant to Section 3.03 (a) of this Agreement and has deposited therein the Initial Amount; and

(b) the Recipient has appointed the independent auditor referred to in Section 4.01 (b) of this Agreement in accordance with the provisions of Section II of Schedule 3 to 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

Representative of the Recipient; Addresses

Section 6.01. The Recipient's Minister responsible for finance is designated as representative of the Recipient 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 Recipient:

The Minister of Finance
Ministry of Finance
Ministerial Building
George Street
Freetown, Sierra Leone

Facsimile Number: 232 22 228 472

For the Association:

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

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

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 SIERRA LEONE

By /s/ Hassan Conteh

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto E. Madavo

Regional Vice President
Africa Region

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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

	<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
1.	Civil works	3,400,000	100% of foreign expenditures and 90% of local expenditures
2.	Goods, including Pharmaceuticals	4,600,000	100% of foreign expenditures and 90% of local expenditures
3.	Consultants' services, training and audit fees	4,000,000	100%
4.	Operating costs	2,100,000	90%
5.	Refunding of Project Preparation Advance	450,000	Amount due pursuant to Section 2.02 (c) of this Agreement
6.	Unallocated	550,000	
	TOTAL	<u>15,100,000</u> =====	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Recipient for goods, works or services supplied from the territory of any country other than that of the Recipient;

(b) the term “local expenditures” means expenditures in the currency of the Recipient or for goods, works or services supplied from the territory of the Recipient; and

(c) the term “operating costs” means the incremental operating costs arising under the Project on account of Project office rental, materials and supplies; vehicle operation, maintenance and repair; equipment rental and maintenance; utilities and communication expenses; and, travel expenditures and other travel-related allowances; but excluding salaries of officials of the Recipient’s civil service.

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

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for: (i) expenditures under contracts costing less than \$100,000 equivalent each for goods, works and consultant services by firms; (ii) expenditures under contracts costing less than \$50,000 equivalent each for consultant services by individuals; (iii) all contracts for training; and (iv) all operating costs, under such terms and conditions as the Association shall specify by notice to the Recipient.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Recipient to: (i) restore the essential functions of its health care delivery system; and (ii) strengthen both public and private health sector capacities, so as to improve the efficiency and responsiveness of the health sector to the needs of the population.

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

Part A: Restoring Essential Health Services

1. Strengthening the capacity of MOHS to deliver adequate health services in the Priority Districts through:

(a) rehabilitation of four (4) first referral hospitals and twelve (12) health centers, including construction of essential staff quarters; and

(b) acquisition of Health Sector Goods, other furniture, equipment and vehicles for the above mentioned hospitals and health centers and for fifty (50) health posts.

2. Strengthening the capacity of MOHS to combat malaria and TB and to improve sanitation, through:

(a) acquisition of Health Sector Goods, bed nets and vehicles;

(b) provision of training and technical advisory services to staff of MOHS and selected health workers; and

(c) preparation of dumpsites;

3. Provision of clinical and related services including waste management.

Part B: Strengthening Public and Private Sector Capacity

1. (a) Provision of technical advisory services and training to district health staff in planning, supervision, monitoring and evaluation and financial management, for the improvement of the performance of District Health Management Teams within the Recipient's districts.

 (b) Enhancing the ability of districts to respond to unplanned-for health sector activities, including emergencies, disease outbreaks, and supervision, through the provision of funding for operational expenditures.

2. Strengthening of key MOHS management functions, including: (i) planning, information monitoring and statistics; (ii) donor/NGO coordination; (iii) human resources development; and (iv) financial management and procurement, through the provision of technical advisory services and training, and the acquisition of equipment.

3. Enhancing Private Sector participation in the health sector through:

 (a) carrying out consultations and developing regulations to foster the participation by the Private Sector in the delivery of quality health services;

 (b) carrying out studies on privatization and contracting out;

 (c) provision of incentives to potential Private Sector entities, and

 (d) provision of technical assistance and training to selected Private Sector participants.

The Project is expected to be completed by August 31, 2007.

SCHEDULE 3

Procurement

Section I. Procurement of Good and Works

Part A: General

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

Part B: International Competitive Bidding

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

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

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

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the and works to be carried out by domestic contractors

(c) Notification and Advertising

The invitation to bid for each contract estimated to cost \$100,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. Limited International Bidding

Health Sector Goods estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

Works estimated to cost less than \$500,000 equivalent per contract, and goods estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. International or National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Direct Contracting

Software, spare parts and accessories which are of a proprietary nature may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

5. Procurement from UN Agencies

Health Sector Goods may be procured from the Inter-Agency Procurement Services Office of the United Nations (IAPSO), or from other United Nations Agencies, in accordance with the provisions of paragraph 3.9 of the Guidelines.

6. Procurement of Small Works

Works estimated to cost less than \$30,000 equivalent per contract may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the

Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for goods and works estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract to be procured following shopping and direct contracting procedures the following procedures shall apply:

- (i) prior to the selection of any supplier/execution of any contract under shopping procedures, the Recipient shall provide to the Association a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under direct contracting or shopping procedures, the Recipient shall provide to the Association a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Recipients" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

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

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for consultants estimated to cost less than \$100,000 equivalent per contract, and for auditors, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for consultants estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines may be selected on a sole-source basis in accordance with the provisions of paragraphs 5.3 and 5.4 of the Consultant Guidelines, subject to prior approval of the Association.

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

Schedule 4

Implementation Program

A. Institutional Arrangements

1. MOHS shall be responsible for overseeing the implementation, financial management, procurement, audit, supervision and monitoring and evaluation of the Project.

2. The Recipient shall ensure that:

(a) MOHS shall maintain for the duration of the Project: (i) a Project director, who shall be the Director General of Medical Services of MOHS; and (ii) a Project coordinator, who shall be the Director of Planning of MOHS both with qualifications and experience acceptable to the Association.

(b) MOHS shall maintain for the Project a procurement unit with suitably qualified and experienced staff in adequate numbers.

3. The Recipient shall maintain within each Priority District, District Health Management Teams, which shall be responsible for coordinating Project implementation activities within the Priority Districts, including: (i) developing action plans and district budgets; (ii) establishing contact with selected Private Sector entities and coordinating Project activities that involve them; (iii) evaluating the necessity within their districts for Discretionary Funding based on criteria set out in the Project Implementation Plan; and (iv) liaising with MOHS on the supervision and monitoring and evaluation of the Project.

B. Project Implementation Plan

1. The Recipient shall carry out the Project in accordance with procedures set out in the Project Implementation Plan, which gives details of the operational guidelines and procedures agreed between the Recipient and the Association for the implementation, supervision and monitoring and evaluation of the Project, and includes:

(i) A procurement plan, which contains a global procurement plan covering the entire Project, a program of work and a detailed procurement plan for the first year of the Project;

- (ii) An operational manual, which contains the administrative procedures and guidelines for the Project, performance indicators and monitoring and evaluation guidelines; and
- (iii) An accounting manual, which contains the accounting and financial procedures and the disbursement arrangements for the Project.

2. Except as the Association shall otherwise agree, the Recipient shall not amend or waive any provision of the Project Implementation Plan, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

C. Environmental Management Plan and Resettlement Policy Framework

1. The Recipient shall implement the Environmental Management Plan in a manner designed to ensure that the Project is implemented in accordance with sound environmental practices and standards, satisfactory to the Association.

2. The Recipient shall:

(a) take all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently arising from the implementation of the Project; and

(b) for this purpose, implement, and cause to be implemented, the Resettlement Policy Framework in a manner satisfactory to the Association.

3. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the Environmental Management Plan and the Resettlement Policy Framework;

(b) include the results of such monitoring and evaluation activities in each report referred to in paragraph D below, together with any revisions proposed to be introduced into such plan and framework in order to achieve their respective objectives; and

(c) introduce such revisions into the Environmental Action Plan and the Resettlement Policy Framework as shall have been agreed to with the Association.

D. Monitoring and Evaluation, Reports and Reviews

1. The Recipient shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 7 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof.

2. (a) The Recipient shall, not later than October 31 of each year, undertake, in conjunction with the Association and other stakeholders, an annual review of the Project or, in the case of the review to be undertaken not later than September 30, 2005, a midterm review, during which they shall exchange views generally on all matters relating to the progress of the Project, and the performance by the Recipient of its obligations under this Agreement, including the progress achieved by the Recipient under the Project, having regard to the monitoring indicators agreed upon between the Recipient and the Association.

(b) Not later than one month prior to each review, the Recipient shall furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, on the progress of the Project, and giving details, in particular, of the various matters to be discussed at such review.

(c) Following each review, the Recipient shall promptly and diligently take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, and shall implement such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories 1 through 5 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Grant 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 \$1,000,000 to be withdrawn from the Grant 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 \$500,000 until the aggregate amount of withdrawals from the Grant Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR3,000,000.
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 Recipient shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Recipient, withdraw from the either or both of the Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.
 - (b) (i) For replenishment of the Special Account, the Recipient 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 Recipient 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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient 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 Grant 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 Recipient out of the Special Account, the Recipient 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 Recipient directly from the Grant 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 Recipient 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 Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Recipient. 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 Recipient 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 Recipient 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 Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient 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 Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Performance Indicators

For purposes of this Agreement, the Recipient agrees that unless otherwise agreed by the Association, Project performance will be measured by the indicators below as of the Closing Date of the Project.

Input Indicators

1. At least fifty (50) health posts in the four Priority Districts are fully equipped with as specified in the Project Implementation Plan.
2. At least Four (4) District Hospitals in the Priority Districts have been rehabilitated and fully equipped with as specified in the Project Implementation Plan.
3. The number of insecticide-treated bed nets purchased under the Project and distributed to the population exceeds 750,000.

Process Indicators:

4. The percentage of TB smear-positive cases successfully treated under DOTS strategy in the four Priority Districts is at least 85%.
5. At least fifteen (15) laboratories are capable of performing malaria microscopy in the territory of the Recipient.

Output Indicators:

6. The health centers rehabilitated and equipped in the four Priority Districts have at least 0.5 contacts per inhabitants per year.
7. At least 60 % of deliveries in the four Priority Districts will be assisted by a qualified provider.
8. The bed occupancy rates in the hospitals rehabilitated and equipped is at least 85%.

9. The proportion of new TB smear-positive cases detected in the four Priority Districts is at least 70%.

10. The percentage of children under five years of age in the four Priority Districts who sleep regularly under insecticide-treated bed nets, is at least 40%.