

CREDIT NUMBER 2788 MOZ

Development Credit Agreement

(Health Sector Recovery Program)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 6, 1995

CREDIT NUMBER 2788 MOZ

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 6, 1995, between REPUBLIC OF MOZAMBIQUE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received a letter, dated October 20, 1995, from the Borrower describing a program of actions, objectives and policies, designed to strengthen the performance of the Borrower's health sector (the Letter), and to implement the Borrower's National Health Strategy (HS) (the Letter and the HS are collectively referred to as the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower intends to contract from the African Development Bank (AfDB), the Danish International Development Agency (DANIDA), the European Union (EU), the Finnish International Development Agency (FINNIDA), the government of Italy (Italy), the government of the Netherlands (the Netherlands), the Norwegian Agency for International Development (NORAD), the OPEC Fund for International Development (OPEC Fund), the Swiss Development Cooperation (SDC), the United Nations World Food Program (UNWFP), the United Nations Children's Fund (UNICEF), the United States Agency for International Development (USAID), and the World Health Organization (WHO), loans and grants in an aggregate amount equivalent to approximately one hundred forty million

four hundred thousand dollars (\$140,400,000), during the period 1996-2000, to assist in financing the Program on the terms and conditions set forth in the respective loan and grant agreements (the Cofinancing Agreements) to be entered respectively between the Borrower and AfDB, DANIDA, the EU, FINNIDA, Italy, the Netherlands, NORAD, OPEC Fund, SDC, UNWFP, UNICEF, USAID and WHO;

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 modifications thereto set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "BM" means Banco de Mocambique, the central bank of the Borrower;

(b) "CC" means Conselho Consultivo, the Ministry of Health Advisory Board, referred to in paragraph 3 of Schedule 4 to this Agreement;

(c) "DNPC" means Direccao Nacional de Planificacao e Cooperacao, the National Directorate of Planning and Cooperation of MOH (as hereinafter defined);

(d) "DNS" means the Direccao Nacional de Saude, the National Directorate of Health within MOH;

(e) "First Project Year" means the twelve-month period beginning from the Effective Date and ending twelve months thereafter and "Project Year" or "PY" means any twelve-month period beginning at the end of the First Project Year or the end of subsequent Project Years.

(f) "GACOPI" means Gabinete de Coordenacao de Projectos de Investimento, a unit within DNPC in charge of coordinating all main investment programs of the health sector;

(g) "HDF" means the Rural Health Development Fund

referred to in Part A.2 of Schedule 2 to this Agreement;

(h) "HMDP" means the Health Manpower Development Plan of the Borrower;

(i) "Implementation Manual" means the manual adopted by the Borrower and to be used for the purposes of implementation of the Project, as the same may be amended from time to time, in consultation, and with the approval of the Association, and such term includes any schedules to the Implementation Manual;

(j) "MOH" means the Borrower's Ministry of Health;

(k) "MPF" means the Borrower's Ministry of Planning and Finance;

(l) "NEPs" means Nucleos de Estatistica e Planificacao, the Statistical and Planning Units of the Provincial Directorates of Health of MOH; and

(m) "Special Account" means the account referred to in Section 2.02 (b) of 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 sixty six million three hundred thousand Special Drawing Rights (SDR 66,300,000).

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 acceptable to the Association 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.

Section 2.03. The Closing Date shall be June 30, 2001, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (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 February 15, 2006 and ending August 15, 2035. Each installment to and including the installment payable on August 15, 2015 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 with due diligence and efficiency and in conformity with appropriate administrative, management and health practices, and in accordance with the Implementation Manual, 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. For the purposes of Section 9.06 of the General Conditions, and without limitation thereto, the Borrower 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 Borrower and the Association, a plan for the future operation of the Project; and

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

Section 3.04. The Borrower shall: (i) not later than January 31, 1997, develop guidelines and plans of operations, satisfactory to the Association, for: (a) medical waste disposal, and (b) the maintenance of equipment, machinery and other property included in its health and training facilities; and (ii) promptly, thereafter, implement such guidelines and plans of operations.

Section 3.05. The Borrower shall: (i) not later than June 30, 1997, develop a strategy and a plan of operation, satisfactory to the Association, for Acquired Immune Deficiency Syndrome (AIDS) control; and (ii) promptly, thereafter implement such strategy and plan of operation.

Section 3.06. The Borrower shall, not later than June 30, 1997, develop a strategy and plan of operation for reproductive health, and carry out a fertility and contraceptive prevalence survey. The Borrower shall, not later than 30 days after the preparation of the survey report, furnish to the Association, the results of the said survey, for its comments.

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 nine 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

Remedies of the Association

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

(a) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

- (b) (i) Subject to sub-paragraph (ii) of this paragraph: (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) Sub-paragraph (i) of this paragraph 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.

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

ARTICLE VI

Effective Date; Termination

Section 6.01. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Governor of the Banco de Mocambique of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Banco de Mocambique
Gabinete do Governador
Avenida 25 de Setembro 1695
P.O.Box 423
Maputo, Mozambique

Cable address:	Telex:
MOBANCO	6355/7 BMMO Maputo
Facsimile:	29178

For the Association:

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

Cable address:	Telex:
INDEVAS	248423 (RCA)
Washington, D.C.	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 MOZAMBIQUE

By /s/ Hipolito Z. Patricio

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		100% of foreign expenditures and 90% of local expenditures
(a) Under Part A.2 of the Project	5,760,000	
(b) Other	8,310,000	
(2) Goods (including equipment, furniture and vehicles)	10,390,000	100% of foreign expenditures 100% of local expenditures (ex-factory cost) and 70% of other local expenditures
(3) Pharmaceuticals and medical supplies	12,070,000	100% of foreign expenditures and 90% of local expenditures
(4) Operating Costs	5,290,000	90% in PY 1 and 2 and 70% thereafter
(5) Consultants' services	8,650,000	100%
(6) Training	10,460,000	100%
(7) Unallocated	5,370,000	
TOTAL	66,300,000	

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 "operating costs" means expenditures incurred under the Project on account of office supplies, medical kits, utilities, fuel and vehicle maintenance, travel allowances and travel-related costs (including per diem), and consumables (including communication costs).

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;

(b) payments made for expenditures under Category 1 (a), unless:

(i) the Borrower has established and staffed the Maintenance and Construction Monitoring Units, referred to in paragraph 4 of Schedule 4 to this Agreement, in at least two of the provincial directorates of health; and

(ii) the Borrower has finalized and furnished to the Association a systematic client consultation strategy, satisfactory to the Association, aimed at assessing and improving the quality of services provided by MOH.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for works under contracts not exceeding \$500,000 equivalent, and for goods and services under contracts not exceeding \$100,000, 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: (i) increase the coverage and improve the quality of health services in the territory of the Borrower; (ii) strengthen the health sector institutions, support services and health management system; and (iii) develop human resources capacity in the health sector.

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: Health Services Delivery

1. Health Facilities Development

Construction, rehabilitation, and upgrading of the infrastructure and equipment of the health sector including the rehabilitation of three rural hospitals at Mueda, Gurue and Buzi respectively, and construction of housing units for hospital staff including acquisition of medical and hospital equipment, furniture and vehicles.

2. Health Development Fund

(a) Establishment and operation of the HDF;

(b) Rehabilitation and construction of health centers and health-posts including water supply and sanitation facilities;

(c) construction of housing units for health staff; and

(d) acquisition of medical equipment, furniture, solar panels and related lighting, cold chain equipment, and vehicles including bicycles and motorcycles.

3. Laboratory Strengthening

Rehabilitation of laboratory facilities in first and second level health units (except those included in the rehabilitation and construction referred to in Parts A.1 and A.2 of this Schedule), including acquisition of equipment and furniture.

4. Pharmaceutical and Medical Supplies

Acquisition of pharmaceutical products, laboratory reagents, materials and medical supplies including provision of related procurement and distribution services.

5. National Maintenance Program

(a) Acquisition of tools and shop equipment for the strengthening of the national and regional maintenance units, and establishment of provincial units including acquisition of spare parts and materials therefor.

(b) organization of pre-service training, on-the-job training, seminars and supervision activities; and

(c) acquisition of vehicles and equipment to support the national maintenance program.

6. Strengthening of the General Province Operations

Strengthening the operations of the provincial authorities in the territory of the Borrower through the provision of general maintenance, pharmaceutical and medical supplies not being procured at the central level and provided through the Borrower's national programs, and other resources required for such provincial operations.

Part B: Institutional Support

1. Supply System Improvement

(a) Preparation/development of a standard list of medical supplies in common use, preparation/development of a stock-control system for use at health units at the district and provincial levels, and preparation of a stock-holding policy for provincial health directorates;

(b) construction of supply infrastructure, including warehouses for medical supplies and pharmaceutical products, in Pemba and Lichinga, and upgrading of a pharmaceutical warehouse in Beira; and

(c) acquisition of motor vehicles, forklifts and palette racks, and other equipment necessary for the improvement of the supply system.

2. Provincial Health Management Improvement

(a) Preparation of plans of actions focusing on personnel management improvement, public budget and external aid management, development of a sectoral financial information system, consolidation of a cost recovery mechanism and development and installation of an adapted accounting plan for health units;

(b) acquisition of computers, equipment, furniture and supplies for central and provincial levels required to improve personnel and financial management; and

(c) repair, upgrading and equipping of the facilities of the provincial health directorates.

3. Information System Improvement

(a) Development, pilot testing and installation of an information system for provincial hospitals and strengthening of data collection and processing at all levels of the health system;

(b) acquisition of computer equipment and furniture for the statistics units of the hospitals and installation of a pilot data transfer system using computer networking system; and

(c) acquisition of materials, supplies, and equipment for the improvement of the information system.

4. Program Management

(a) Provision of technical advisory services to the national directorates of MOH;

(b) provision of technical advisory services to the NEPs;

(c) acquisition of vehicles, equipment and furniture to strengthen the Construction and Maintenance Units at the NEPs;

(d) carrying out of studies to support policy development within MOH;

(e) carrying out monitoring and evaluation activities; and

(f) preparation of tender documents and terms of reference for activities to be undertaken by MOH in the future.

Part C: Human Resources Development

1. Implementation of HMDP

Carrying out of training courses including course related travel allowances and fellowships and rural practice activities for the benefit of personnel at MOH.

2. Training Capacity Improvement

(a) Rehabilitation and extension of training institutes including the institutes in Maputo, Beira, and Nampula and training centers in Chicumbane and Chicucque; and

(b) acquisition of furniture, vehicles, training materials and equipment for all health training institutes and centers.

3. In-Service Training Improvement

Carrying out of in-service training courses including preparation, development and acquisition of training materials and provision of financial support for the travel and accommodation of training participants.

4. Strengthening of the Faculty of Medicine

(a) acquisition of computer equipment and textbooks for both faculty and students;

(b) reorganization of the library at the Faculty of Medicine; and

(c) organization of rural internship programs.

* * *

The Project is expected to be completed by December 31, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods 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 (the Guidelines) and the following provisions of this Section, as applicable.

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 works shall be grouped in bid packages estimated to cost \$500,000 equivalent or more each, and 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 Borrower and works to be carried out by domestic contractors.

(c) Dispute Review Board

Each contract for works estimated to cost \$50,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract and up to an aggregate amount not to exceed \$2,400,000 equivalent and works estimated to cost less than \$500,000 equivalent per contract and up to an aggregate amount not to exceed \$600,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract up to an aggregate amount not to exceed \$2,500,000 equivalent, may be procured under contracts awarded on the

basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods which are of a proprietary nature, text books, learning materials, spare parts and pharmaceuticals and medical supplies, and costing \$5,900,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Community Participation

Works under Part A.2 of the Project costing \$60,000 equivalent or less per contract and \$11,200,000 equivalent or less in the aggregate shall be procured in accordance with procedures acceptable to the Association.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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

With respect to each contract for works estimated to cost the equivalent of \$500,000 or more and for goods 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.

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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

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 individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions 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

1. MOH will have the overall responsibility for management of the Project. The Director of DNPC will be responsible for coordinating and supervising Project implementation. The Director will liaise with the various agencies involved in the implementation of the Project, MPF, BM and the cofinanciers referred to in Recital (C) of the Preamble to this Agreement. Assisted by a Program Coordinator, the Director will meet regularly with implementing agencies and will monitor progress, keep program accounts, and prepare reports as and when required.
2. The National Directorate of Health will be responsible, at the central level, for the implementation of Part A of the Project. DNPC will be responsible for the overall coordination of Part B of the Project and will implement directly Parts B.2, B.3 and B.4 of the Project. Part B.1 of the Project will be implemented by the Supplies Directorate of MOH. The Directorate of Human Resources of MOH will be responsible for the implementation of Part C of the Project.
3. The CC shall meet once every three months to advise on monitoring and coordination of all project activities and to resolve any issues impeding achievement of the Project objectives.
4. The Provincial Maintenance and Construction Monitoring Units (PMCMU) of the Provincial directorates of health will be responsible for the day-to-day management and monitoring of construction activities, particularly those related to the Rural Health Development Fund. These units will report to the Provincial Directors of Health and shall consist, inter alia, of one engineer and one quantity surveyor or a draftsman.
5. GACOPI will be responsible for the technical coordination of the work of the Provincial Maintenance and Construction Units and will be in charge of preparation of norms and standards for the construction and maintenance of infrastructure and of approval of designs and large contracts, including the management of financial accounts and procurement processes.
6. Training of health staff under the Project will be organized at the health training institutes and centers in each of the provinces under contracts between the individual institutes and the Directorate of Human Resources. Training of other staff in the areas, inter alia, of accounting, finance, or computer operations will be organized by other existing institutions.
7. Without limitation to the provision of paragraph 10 (c) of this Schedule, MOH will prepare semi-annual reports, in form and substance acceptable to the Association, tabulating, and graphically displaying physical and financial progress as well as outputs and outcomes achieved during the previous semester and accumulated against agreed targets, and highlighting the problems and solutions proposed. These reports will be furnished to the Association not later than March 31 of each year and will be tabled for discussions by the CC.
8. Each year, MOH will update its five-year rolling plan and the detailed implementation program for the next three years, and will prepare the investment and recurrent budgets for the next year. The rolling plan and the implementation program will

identify priorities, in the context of the Borrower's health strategy. MOH's departments and the donors involved in the health sector will participate in an annual review workshops. MOH will take into account the findings of the workshops and present a revised program of actions. Not later than one month prior to the annual review, MOH will present to the Association a report on implementation of the Health Sector Program.

9. In order to ensure efficiency and timeliness in the implementation of the Project, the Borrower shall take all necessary administrative and regulatory measures to enable specifically designated MOH officials to sign all contracts relating to the implementation of the Project below the value of \$250,000.

10. (a) The Borrower shall carry out jointly with the Association, a comprehensive annual project implementation review aimed at: (i) documenting progress toward objectives; (ii) identifying and resolving obstacles to project implementation; and (iii) adjusting, in agreement with the Association, targets and corresponding programs to reflect progress achieved in the implementation of the Program in the prior years and ensuring responsiveness to changes to effectively achieve the objectives of the Program.

(b) The annual review referred to in (a) above shall be conducted in accordance with indicators satisfactory to the Association and shall include, inter alia: (i) the Borrower's recurrent expenditure per capita to the health sector; (ii) the Borrower's equity index from the operational planning exercise; (iii) the proportion of health posts staffed with non-trained personnel; (iv) the proportion of first level health facilities properly stocked with essential drug program kits; (v) the coverage of DPT third dose vaccination; (vi) the infant mortality rate; (vii) the maternal mortality rate; and (viii) the ratio of client satisfaction with services per level of facility.

(c) The Borrower shall, not later than four weeks prior to the review referred to in (a) above, furnish to the Association a report, in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in Project implementation.

(d) Promptly after completing such reviews, the Borrower shall carry out recommendations arising out of said reviews, with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

11. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about May 30, 1998, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) above on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by June 30, 1998, or such later date as the Association shall request, the report referred to in paragraph (b) above and, promptly thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof,

based on the conclusions and recommendations of the said report and the Association's views on the matter.

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 six million five hundred thousand dollars (\$6,500,000) 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 \$4,000,000 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 exceed the equivalent of \$15,000,000.

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 paragraph 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.

