

CONFORMED COPY

CREDIT NUMBER 2220 MAI

(Population, Health and Nutrition Sector Credit)

between

REPUBLIC OF MALAWI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 31, 1991

CREDIT NUMBER 2220 MAI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 31, 1991, between REPUBLIC OF MALAWI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated January 25, 1991, from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's population, health and nutrition sector (hereinafter called the Program) and declaring the Borrower's commitment to the execution of the Program;

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "MOH" means the Borrower's Ministry of Health;
- (b) "MOCS" means the Borrower's Ministry of Community Services;
- (c) "MOLG" means the Borrower's Ministry of Local Government;
- (d) "EP&D" means the Department of Economic Planning and Development in the Borrower's Office of the President and Cabinet;
- (e) "NFWCM" means the National Family Welfare Council of Malawi established by the National Family Welfare Council of Malawi Act, 1990 (Act No. 20 of 1990);
- (f) "PHAM" means the Private Hospital Association of Malawi;
- (g) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and
- (h) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated June 28, 1990, July 12, 1990 and July 23, 1990 between the Borrower and the Association.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty-eight million six hundred thousand Special Drawing Rights (SDR 38,600,000).

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 shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against 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 Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn

balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1997 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; 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 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 March 15 and September 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 semiannual installments payable on each March 15 and September 15 commencing September 15, 2001 and ending March 15, 2031. Each installment to and including the installment payable on March 15, 2011 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the Program and to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MOH, MOCS, MOLG and EP&D with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower shall carry out a cost-sharing scheme for health services, including private patient fees and other charges provided through MOH, in accordance with an implementation plan, satisfactory to the Association.

Section 3.04. The Borrower shall, for each of its fiscal years, 1991/92 through 1994/95:

(a) adopt a revenue and development budget, satisfactory to the Association, in which appropriations for peripheral health services shall be at least 2 percent higher than the appropriations for such services in the budget for its immediately preceding fiscal year;

(b) include a line item in MOH's budget to cover non-salary expenditures of local authorities' health facilities; and

(c) submit to the Association:

- (i) an analysis of actual expenditures for peripheral health services for the immediately preceding fiscal year;
- (ii) detailed work program for the subsequent fiscal year to improve efficiency at each major hospital;
- (iii) an analysis of training outputs compared with plan for the preceding fiscal year; and
- (iv) an analysis of current staff in-post, and vacancies at each health facility compared with targets identified for the preceding fiscal year.

Section 3.05. The Borrower shall, by January 31, 1992:

(a) carry out the rationalization and management of peripheral health services of local authorities in accordance with a plan satisfactory to the Association;

(b) establish management health teams for all districts; and

(c) furnish a plan to improve the coordination of MOH, local

authorities and PHAM health services, satisfactory to the Association.

Section 3.06. The Borrower shall, by May 31, 1993, carry out an evaluation of the management health teams and cost-sharing measures adopted by the Borrower.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

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

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General

Conditions, the following additional events are specified:

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

(b) (i) Subject to sub-paragraph (ii) of this paragraph the right of the Borrower to withdraw the proceeds of any 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;

(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 or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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 Borrower has adopted a revenue and development budget for its FY 1991/92 in which, appropriations for peripheral health services are at least 2 percent higher than the appropriations for such services in the budget for its FY 1990/91;

(b) the Borrower has adopted a detailed plan, satisfactory to the Association, to: (i) improve efficiency at each of the major hospitals in Lilongwe, Blantyre and Zomba; and (ii) to implement the decentralization of health services; and

(c) the Borrower has transferred responsibility for the management and administration of all MOH and local authority health services below the hospital level to district management teams, under district health officers.

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance
P.O. Box 30049
Lilongwe 3
Malawi

Cable address:

Telex:

FINANCE
Lilongwe

44407 MI

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

197688 (TRT)
248423 (RCA)
64145 (WUI) or
82987 (FTCC)

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 MALAWI

By /s/ Robert B. Mbaya
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 80% of local expenditures
(a) under Part A.4 of the Project	297,000	
(b) under Part C (2) (i) of the Project	2,800,000	
(c) other	10,180,000	
(2) Furniture, equip- ment and vehicles:		100%
(a) under Part A.4	112,000	

of the Project

(b) under Part C (2)	508,000	
(i) of the Project		
(c) other	5,347,000	
	Amount of the	% of
	Credit Allocated	Expenditures
	(Expressed in	to be Financed
Category	SDR Equivalent)	
(3) Drugs and supplies:	3,823,000	100% of foreign expenditures and 80% of local expenditures
(4) Technical assistance, training and fellowships:		100% of foreign expenditures and 80% of local expenditures
(a) under Part A.4 of the Project	670,000	
(b) other	3,777,000	
(5) Salaries:		
(a) for Project Unit staff	712,000	80%
(b) for staff under Parts A.1 A.3, A.4 and B.1 (c) of the Project	1,442,000	100% up to December 31, 1992, 65% up to December 31, 1994 and 30% thereafter
(6) Incremental Recurrent Costs	1,390,000	80%
(7) Pilot Programs under Part A.4 (c) of the Project	245,000	100%
(8) Primary Health Fund under Part C. 6 of the Project	347,000	100%
	Amount of the	% of
	Credit Allocated	Expenditures
	(Expressed in	to be Financed
Category	SDR Equivalent)	
(9) Social Program Support fund	347,000	100%
(10) Refunding of Project Prepara- tion Advance	253,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(11) Unallocated	6,350,000	
TOTAL	38,600,000	
	=====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "incremental recurrent costs" means operating costs, including fuel, vehicles and equipment maintenance, including data processing facilities.

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) in respect of Categories (1) (a), (2) (a) and (4) (a) unless the Borrower submits: (i) a proposal, satisfactory to the Association, for the administration of funds for income-generating activities for 24 villages; and (ii) a plan, satisfactory to the Association, for restructuring the Magomero training program, and in respect of Categories 1 (b) and 2 (b) unless the Borrower has, for the FY 1992/93: (i) implemented cost-sharing measures upon the completion of rehabilitation of six urban health centers and the construction of two new urban health centers under Part C (1) of the Project; and (ii) adopted a revenue and development budget, all satisfactory to the Association.

SCHEDULE 2

Description of the Project

The objectives of the Project are to improve quality, access, efficiency, and effectiveness in the population, health and nutrition sector through: (a) strengthening of basic population, health and nutrition programs, primary health care, maternal and child health care, child spacing, malaria control, an AIDS control program, nutrition interventions, and women in development activities; (b) strengthening of support services to the basic programs, including staffing, pharmaceutical, and information, education and communication issues; (c) efficiency improvements, management strengthening, hospital decongestion, cost sharing, and budget reforms; and (d) support to the Borrower's social dimensions of adjustment initiatives.

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: Strengthening of Basic Services

1. Primary Health Care

(a) Development of, and support for, about 3,600 health surveillance assistants.

(b) Rehabilitation and construction of about 30 rural health centers.

(c) Improvement of infrastructure and district level services through: (i) construction of about 462 new rural houses; (ii) rehabilitation of about 50 rural houses; and (iii) acquisition of about 24 four-wheel drive vehicles.

2. Malaria and AIDS

(a) Strengthening the malaria control program through the acquisition of drugs and about 15 vehicles.

(b) Strengthening the AIDS control program through the acquisition of laboratory equipment and supplies, counselling and

homecare for patients, and the production and distribution of educational materials for schools and colleges.

3. Child Spacing

Strengthening the Borrower's child-spacing program through the establishment of NFWCM, including the construction, furnishing and equipping of an office building for NFWCM and 12 fixed facilities in existing health centers for use by MOH.

4. Women-in-development

(a) Strengthening MOCS' institutional capacity in its Women-in-development program through technical assistance, training and acquisition of about 6 vehicles, 25 motorcycles and 55 bicycles.

(b) Improvement and reorganization in Magomero Community Development College, through improvement of physical infrastructure, training, curriculum revision and acquisition of equipment.

(c) A pilot program in appropriate technology dissemination for income generating activities, and credit.

5. Nutrition and Food Security

Extension of a community-level food security and a micronutrient deficiency program through:

(a) training and equipping of about 5,500 community health volunteers;

(b) preparation of a nutrition module;

(c) acquisition of iodized oil capsules, ferrous sulfate and folic acid tablets and materials; and

(d) studies.

Part B: Strengthening of Support Services

1. Manpower Development

Improvement of training programs and facilities for health personnel through:

(a) construction and rehabilitation of student hostels, construction of a training school for nurses and midwives in Lilongwe, and additional student hostels at district hospitals;

(b) training of about 80 nurse tutors, and construction of staff houses; and

(c) strengthening MOH's personnel management information and planning capabilities through training, technical assistance and acquisition of equipment.

2. Information, Education and Communications

Strengthening the information, education and communication capabilities of the population, health and nutrition sector, through technical assistance, development of materials for print, radio and audio-visual use, community outreach activities and research and evaluation.

3. Pharmaceutical Program

Strengthening the national pharmaceutical program through technical assistance, training, rehabilitation and improvements of stores and acquisition of vehicles.

Part C: Management and Efficiency Improvements

Improvement of Health Centers and Hospitals through:

- (1) Rehabilitation of about six urban health centers and construction of two new urban health centers.
 - (2) Construction of: (i) a new hospital in Lilongwe; and (ii) a hospital to replace an existing one at Chiradzulu.
 - (3) Replacement of equipment in selected hospitals.
 - (4) Introduction of cost-sharing reforms in fees charged to patients.
 - (5) Increases in: (i) budgetary allocations to MOH; and (ii) the share of outreach and health services in such budgetary allocation.
 - (6) The establishment of a primary health care fund.
- Part D: Social Program Support Fund

Strengthening of a social program support fund for community-based small-scale pilot interventions, including technical assistance, training, consultants' services and studies.

* * * *

The Project is expected to be completed by December 31, 1996.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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

Part B: Preference for Domestic Manufacturers

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

Part C: Preference for Domestic Contractors

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

Part D: Other Procurement Procedures

1. Civil works estimated to cost less than the equivalent of \$150,000 per contract, may be procured under contracts awarded on the basis of competitive bidding with public bid opening, advertised locally, in accordance with procedures satisfactory to the Association, provided, however, that the aggregate price of contracts so awarded shall not exceed the equivalent of \$1,000,000.

2. Furniture, up to an aggregate amount not to exceed the equivalent of \$900,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Materials and supplies, including paper and seeds, estimated to cost less than the equivalent of \$2,000 per contract, may be procured under contracts awarded on the basis of comparison of price quotations from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association. The aggregate price of contracts so awarded shall not exceed the equivalent of \$500,000.

Part E: Review by the Association of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

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

SCHEDULE 4

Implementation Program

Program and Project Coordination

1. The Borrower shall establish a Committee on Monitoring and Evaluation, within MOH, under the chairmanship of the Principal Secretary, MOH. The Committee shall be responsible for the coordination of all activities related to the execution of the Program and the Project and shall, in particular, assist the Planning sections of MOH, MOCS, MOLG and EP&D in: (a) coordinating the various units within MOH, MOCS, MOLG and EP&D; (b) preparing periodic reports required for the timely preparation of annual progress reports; and (c) monitoring, and reporting on, the implementation of policies contained in the Program.

MOH shall forward to the Association periodic progress reports on the Program and the Project on a semi-annual basis, on April 30, and October 31 in each year.

2. The Borrower shall make adequate annual budgetary allocations for the implementation of the Program in the fiscal years 1992/93 through 1995/96. The Committee shall supervise MOH's budgetary requests, to ensure that they are consistent with programmed activities, and the objectives of the policies and staffing envisaged in the Program.

3. The Borrower and the Association shall jointly: (a) review progress in the implementation of the Program not later than July 31 of each year; and (b) by not later than September 30, 1993 carry out a mid-term review in the overall implementation of the Program and the Project. The Borrower shall thereafter implement the recommendations of such reviews for the proper carrying out of the Program and the Project.

4. The unit established and existing within MOH to implement Part A of the Second Family Health Project (Credit 1768-MAI) pursuant to a development credit agreement dated May 7, 1987, shall be responsible for the carrying out of the Project.

Part D of the Project

5. The Social Support Task Force chaired by the Principal Secretary, EP&D, and consisting of representatives of MOA, MOH, MOCS, MOLG and of the Ministries of Finance, Labour and Education and Culture shall be responsible for the implementation of Part D of the Project. The Task Force, and its Program Coordinator shall, with the assistance of a project manager, a procurement specialist and an architect, be responsible for identifying and monitoring of pilot interventions and transmitting its findings and recommendations to the Special Studies Unit with EP&D.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (9) 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 \$2,500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

(b) (i) For replenishment of the Special Account, the

Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

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

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

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

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

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

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

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

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

- (b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the

Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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

