

CONFORMED COPY

CREDIT NUMBER 3043 COM

Development Credit Agreement

(Health Project)

between

ISLAMIC FEDERAL REPUBLIC OF THE COMOROS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 19, 1998

CREDIT NUMBER 3043 COM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 19, 1998, between ISLAMIC FEDERAL REPUBLIC OF THE COMOROS (the Borrower) and the 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 December 10, 1997, from the Borrower describing a program of actions, objectives and policies designed to strengthen its health sector (the Program), and declaring the Borrower's commitment to the execution of the Program;

(C) pursuant to the Technical Cooperation Program for the 1998-2000 period agreed upon between the Borrower and the World Health Organization (WHO), the Borrower intends to contract from WHO a grant (the WHO Grant) in an amount equivalent to \$400,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the WHO Grant Agreement) to be entered into between the Borrower and WHO;

(D) pursuant to the Cooperation Framework Program for the

1996-2000 period agreed upon between the Borrower and United Nations Children's Fund (UNICEF), the Borrower intends to contract from UNICEF a grant (the UNICEF Grant) in an amount equivalent to \$100,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the UNICEF Grant Agreement) to be entered into between the Borrower and UNICEF; 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 modifications 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."

- (c) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time, the Association determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time, the Association determines, with respect to any contract to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) at any time, the Association determines that the procurement of any contract to be financed out of the proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (e) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right of the

Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be canceled."

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) "DGTP" means Direction Générale des Travaux Publics, the Borrower's General Directorate responsible for public works;

(b) "Franc de la République Fédérale Islamique des Comores" or "KMF" means the currency of the Borrower;

(c) "Health Law" means Law No. 94-016, dated June 17, 1994, establishing the general framework for the health system, and the mandate and responsibilities of the public health sector;

(d) "IEC" means information, education and communication;

(e) "MSPP" means Ministère de la Santé Publique et de la Population, the Borrower's Ministry of Public Health and Population;

(f) "PNAC" means Pharmacie Nationale Autonome des Comores, the Borrower's Drug Procurement Agency;

(g) "Project Implementation Manual" means the Project Implementation Manual referred to in paragraph 2 (a) of Schedule 4 to this Agreement, as same may be amended from time to time, and such term includes any schedules to the Project Implementation Manual;

(h) "Project Implementation Unit" or "PIU" means the Project Implementation Unit established by the Borrower for purposes of the Project, and referred to in paragraph 1 of Schedule 4 to this Agreement;

(i) "Selected Health Facilities" means health facilities selected or to be selected, for purposes of Part A of the Project, in accordance with selection criteria agreed upon between the Borrower and the Association, and specified in the Project Implementation Manual;

(j) "SLMTV" means Service de Lutte contre les Maladies à Transmission Vectorielle, the division of MSPP responsible for the control of mosquito-borne diseases; and

(k) "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 six million two hundred thousand Special Drawing Rights (SDR 6,200,000).

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 KMF a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2002 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date 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 percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15, commencing August 15, 2008 and ending February 15, 2038. Each installment to and including the installment payable on February 15, 2018 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment

of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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 French Republic 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 objective of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MSPP with due diligence and efficiency, and in conformity with appropriate administrative, financial, environmental, and technical 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 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 9.07 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 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.

#### 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, 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 and 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 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 shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

(b) The Health Law shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations arising under this Agreement;

(c) the WHO Grant Agreement or UNICEF Grant Agreement shall have failed to become effective by December 31, 1998, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes that adequate funds for the Project are available to the Borrower from other sources; and

(d) (i) subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the WHO Grant or the UNICEF Grant shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the WHO Grant or the UNICEF Grant, as the case may be; and

(ii) subparagraph (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 the WHO Grant or the UNICEF Grant; 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, any event specified in paragraph (b) of Section 5.01 of this Agreement shall occur.

## ARTICLE VI

### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions of effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the draft bidding documents, acceptable to the Association, for the proposed rehabilitation of the Hombo hospital and Domoni medical and surgical center in Anjouan, and the Mitsamiouli medical and surgical center in Grande Comore, have been prepared and submitted to the Association for review;

(b) the Project Implementation Manual has been duly approved by the Association, and adopted by the Borrower;

(c) the Borrower has recruited auditors, pursuant to Section II of Schedule 3 to this Agreement, to audit the accounts of the Project in

accordance with Article IV of this Agreement; and

(d) the executive director, accountant and procurement specialist referred to in paragraph 1 (d) of Schedule 4 to this Agreement have been recruited, in accordance with Section II of Schedule 3 to this Agreement.

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.

Section 6.03. The obligations of the Borrower under Section 4.01 of this Agreement shall cease and determine the date on which the Development Credit Agreement shall terminate or on the date fifteen years after the date of this Agreement, whichever shall be the earlier.

#### 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:

Ministère des Finances, du Budget et du Plan  
B.P. 324  
Moroni  
Comores

Telex:

245-MIEF-CAB KO

##### For the Association:

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

Cable address:

Telex:

INDEVAS  
Washington, D.C.

248423 (MCI) or  
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.

ISLAMIC FEDERAL REPUBLIC OF THE COMOROS



By /s/ Ahmed Djabir

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

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 Financed	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be
(1) Civil works	1,100,000	100%
(2) Equipment, vehicles and supplies	2,200,000	100%
(3) Consultants' services, training, studies and audits	2,060,000	100%
(4) Operating costs	370,000	100%
(5) Unallocated	470,000	
TOTAL	6,200,000	

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;

(c) the term "operating costs" means the incremental operating costs incurred under the Project on account of: (i) local contractual staff salaries, benefits and other incidental employment costs, (ii) travel costs and allowances, (iii) insurance, operation and maintenance of vehicles and equipment, (iv) banking charges, and (v) office rent,

supplies and utilities, and communications charges.

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) expenditures under Category (1) of the table in paragraph 1 of this Schedule, in respect of any of the Selected Health Facilities, unless, in respect of such Selected Health Facility:

(i) a Board of Directors has been established, and individual directors appointed in accordance with procedures established pursuant to the Health Law;

(ii) an adequate financial management system has been established and is operational;

(iii) adequate incinerating facilities for waste disposal have been built on the premises and are operational; and

(iv) draft bidding documents, acceptable to the Association, for the proposed rehabilitation of such Selected Health Facility have been prepared and submitted to the Association for review.

4. It is understood that the percentages in the table in paragraph 1 of this Schedule have been calculated on the basis of the provisions in Arrêté No. 238/MFB, of the laws of the Borrower, which exempt the goods and works to be financed from taxes and customs duties levied by the Borrower. If any change is made to said Arrêté which has the effect of levying taxes or customs duties on such goods or works, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

5. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods, works and consultants' services (firms) under contracts not exceeding \$50,000 equivalent, consultants' services (individuals) under contracts not exceeding \$30,000 equivalent, and operating costs, under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to reduce the rate of mortality arising from malaria and other common diseases, by ensuring better utilization of health facilities to deliver quality health care to the vast majority of the population, and by organizing mosquito control activities to reduce the incidence of malaria.

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 objective:

Part A: Rehabilitation and Equipment of Selected Health Facilities

Rehabilitation and equipping of selected health facilities in the three islands which form part of the Borrower's territory.

Part B: Malaria Control

1. Provision of training, and acquisition of equipment and malaria control drugs, to facilitate diagnosis and treatment of malaria, and hence improve case management at all levels of health services.

2. Carrying out of a program for indoor residual house spraying in areas where malaria and filariasis are highly transmittable and where reproduction of the vector takes place in a multitude of gites larvaires.

3. Treatment of breeding areas of anophelines with larvivorous fish or larvicides, including construction or rehabilitation, as the case may be, and maintenance, of breeding basins, and supply of larva-eating fish to the breeding basins and, thereafter, to village cisterns.

4. Acquisition of bednets to be distributed to health districts, and impregnated with insecticide and sold to households.

5. Carrying out of IEC campaigns to increase community participation in the control of vector-borne diseases, including organization of malaria awareness days, integration of information sheets on malaria in the school curriculum, and distribution of pamphlets in villages.

6. Rehabilitation of offices and laboratories, provision of technical advisory services and logistical support, and acquisition of equipment, to strengthen the institutional capacity of SLMTV.

Part C: Institutional Strengthening

1. Provision of training to MSPP and health facilities personnel in the delivery of quality health care, management and accounting, health economics and related topics.

2. Carrying out of studies for the development of alternative mechanisms for health financing.

3. Provision of technical advisory services and logistical support, and acquisition of equipment, to strengthen the institutional capacity of the central and regional directorates of MSPP, and PNAC.

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

SCHEDULE 3

Procurement

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 and revised in January and August 1996 (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 provision shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

3. Grouping of contracts

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, and civil works 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.

2. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 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. Procurement from UN Agencies

Anti-malarial insecticides, up to an aggregate amount not to exceed \$900,000 equivalent, may be procured from WHO in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than \$30,000 equivalent per contract, up to an amount not to exceed \$70,000 equivalent, 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

With respect to each contract for goods estimated to cost the equivalent of \$50,000 or more, 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.

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 the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

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, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for financial audits, up to an aggregate amount not to exceed \$75,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Individual Consultants

Services for implementation of health sector reform, management and supervision of the anti-malaria program, and general project support, up

to an aggregate amount not to exceed \$500,000 equivalent, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection 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 the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1 and 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, or for the employment of financial auditors, the procedures set forth in paragraphs 1 and 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$30,000 or more, financial auditors and other higher level personnel of PIU, including the executive director, the accountant and the procurement specialist, the qualifications, experience, 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 said approval shall have been given.

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

1. (a) The Borrower shall establish a management committee, to be chaired by the Minister of Health, and consisting of the General Secretary, the two General Directors of MSPP, and the three Regional Health Directors, to provide policy guidance as needed on the Project, and to approve annual work programs and budgets, review progress, monitor performance indicators and propose corrective action as necessary.

(b) The General Secretary of MSPP shall be responsible for oversight of implementation of the Project and for coordination of its

activities.

(c) Subject to the overall guidance and oversight of the General Secretary of MSPP, PIU shall be responsible for supervision and coordination of the day-to-day management of the Project, including preparation of annual work plans and budgets, maintenance of a proper financial management and accounting system, and project accounts, management of the Special Account and Project Account, preparation of bidding documents and monitoring of overall procurement process, administration of civil works contracts in collaboration with DGTP, preparation of annual and quarterly progress reports, recruitment of auditors and delivery of timely audit reports, management of technical assistance activities, organization of annual and midterm reviews, preparation of project completion report, and collection of data on financing of the health sector.

(d) The PIU shall continue to be headed by an executive director and shall consist, inter alia, of an accountant and a procurement specialist.

(e) The Borrower shall ensure that the high level positions of PIU, including those of the executive director, accountant and procurement specialist, shall be kept filled at all times by appropriate officials, having qualifications, experience and terms of reference which shall have been communicated to, and deemed acceptable by, the Association.

2. The Borrower shall:

(a) prepare and submit to the Association an implementation manual for the Project, acceptable to the Association, giving details of all procurement and disbursement arrangements, performance indicators, criteria for the selection of Selected Health Facilities, and other administrative, financial and organizational arrangements agreed upon with the Association for purposes of implementation and monitoring of the Project; and

(b) carry out the Project in accordance with the Project Implementation Manual and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision thereof, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

3. (a) The Borrower shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with performance indicators referred to in paragraph 2 (a) of this Schedule, the carrying out of the Project and the achievement of the objectives thereof.

(b) The Borrower shall, not later than November 30 of each year, beginning November 30, 1998, undertake, in conjunction with the Association, a joint annual review of the Project or, in the case of the review to be undertaken not later than November 30, 2000, 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 Borrower of its obligations under this Agreement, or arising thereunder, and, in particular:

(i) the progress achieved by the Borrower, having regard to indicators referred to in paragraphs 2 (a) and 3 (a) of this Schedule;

(ii) a review of progress achieved in the execution of the Program;

(iii) a review of the annual and quarterly progress reports for the current fiscal year, and the annual work plans

and budget for the forthcoming fiscal year; and

(iv) in the case of the midterm review, an assessment of the impact of the Project, based on the results of a beneficiary assessment to be completed prior to the midterm review.

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

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

4. (a) The Borrower shall, prior to the beginning of each fiscal year, submit to the Association, for review and approval, a proposed annual work program and budget for such fiscal year, giving details of proposed budgetary allocations and disbursement estimates, proposed procurement activities, and such other particulars as the Association may require.

(b) The Borrower shall submit to the Association, for review,

(i) not later than two months after the end of each fiscal year or one month after the end of each quarter, as the case may be, annual and quarterly progress reports on the status of the Project and on the status of compliance with covenants under the Project; and

(ii) reports as needed on the award of individual contracts under the Project.

5. For the purposes of Parts A and B of the Project, respectively, the Borrower shall take appropriate steps to ensure that civil works shall be undertaken, and insecticides procured and applied, with due regard to the need for protection of the environment and that, for procurement purposes, adequate safeguards shall be built-in to that effect, and reflected in the relevant procurement documents.

## SCHEDULE 5

### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) 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 KMF320,000,000 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 KMF160,000,000 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 SDR 1,000,000.

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

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

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

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

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

