

CONFORMED COPY

CREDIT NUMBER 2994 GH

Development Credit Agreement

(Health Sector Program Support Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 3, 1998

CREDIT NUMBER 2994 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 3, 1998, between REPUBLIC OF GHANA (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 the following documents: (i) a Medium-Term Health Strategy Toward Vision 2020, dated September 1995; and (ii) the five-year Program of Works (POW), dated August 1996, from the Borrower, part of which describes a program of actions, objectives and policies designed to implement activities under the Borrower's Medium-Term Health Strategy for the Fiscal Years 1997 to 2001 (the two documents shall collectively be referred to as the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower intends to obtain from various Donors (as hereinafter defined) grants and loans to assist in financing the Program;

(D) the Borrower, the Association and the Donors intend to enter into a Memorandum of Understanding providing for common procedures on procurement, disbursement, cooperation and exchange of information; 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 Development 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 cancelled."

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) "ADB" means the African Development Bank;
- (b) "BADEA" means Arab Bank for Economic Development in Africa;
- (c) "BMC" means a Budget and Management Center, the functional unit of the Borrower's health system responsible for planning, managing and implementing a Subprogram or a part thereof, within a given budget;
- (d) "CIDA" means the Canadian International Development Agency;
- (e) "DANIDA" means the Danish International Development Agency;

(f) "DFID" means the Department for International Development of the United Kingdom of Great Britain and Northern Ireland;

(g) "Donors" means, collectively, the ADB, BADEA, CIDA, EC, WHO, UNICEF, UNFPA, DANIDA, DFID, USAID, Government of the Kingdom of the Netherlands, GTZ, JICA, OPEC Fund and Saudi Fund for Development (as herein defined) and any other national or international agency contributing funds or technical assistance for the Program, and "Donor" means each and every donor individually;

(h) "EC" means European Commission;

(i) "Fiscal Year" or "FY" means the twelve-month period beginning January 1 and ending December 31 of each year;

(j) "Ghanaian Cedi" and "C" mean the currency of the Borrower;

(k) "GHS" means the Ghana Health Service, established pursuant to the Ghana Health Service and Teaching Hospitals Act, 1996, Act 525;

(l) "GTZ" means Gesellschaft für Technische Zusammenarbeit;

(m) "IGF" means Internally Generated Funds, funds which are generated by each BMC through cost-recovery measures, including donations and fees collected from patients;

(n) "JICA" means the Japan International Cooperation Agency;

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

(p) "OPEC Fund" means the Organization of Petroleum Exporting Countries Fund for International Development;

(q) "Process for the Definition and Review of Capital Projects" means the policy document adopted by the Borrower dated March 26, 1997, which describes the process for approving and carrying out capital investment projects in the health sector under the Program.

(r) "Program Implementation Plan" or "PIP" means the plan which is included in the POW, containing, inter alia, monitoring and performance indicators, guidelines and procedures to be used for the purpose of implementation of the Program and Project, as the plan may be amended from time to time in consultation with the Association and the Donors, and such term includes any schedules to the PIP;

(s) "Subprogram" means the annual program of activities included in the Program to be carried out in each Fiscal Year under the Project, as agreed upon between the Borrower, the Association and the Donors;

(t) "UNFPA" means the United Nations Population Fund;

(u) "UNICEF" means the United Nations Children's Fund;

(v) "USAID" means the United States Agency for International Development; and

(w) "WHO" means the World Health Organization.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty-five million one hundred thousand Special Drawing Rights (SDR 25,100,000).

Section 2.02. 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.

Section 2.03. The Closing Date shall be June 30, 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 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 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 May 1 and November 1 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 May 1 and November 1, commencing November 1, 2007 and ending May 1, 2037. Each installment to and including the installment payable on May 1, 2017 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 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, financial 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. 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 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. In carrying out the Project, the Borrower shall, until completion of the Project, maintain a system, satisfactory to the Association, which shall provide for the flow of funds to the BMCs for the purposes of carrying out parts of the Project in their areas.

Section 3.05. In carrying out capital investments under the Program, the Borrower shall take all measures necessary to ensure that contracts for such investments are awarded in accordance with the Process for the Definition and Review of Capital Projects.

### 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 Program of the departments or agencies of the Borrower responsible for carrying out the Program or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including the funds by the Donors and the IGF, 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.

(iv) 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; (v) enable the Association's representatives to examine such records; and

(vi) 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.

(b) (i) Subject to subparagraph (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 Program 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 maturity thereof.

(ii) Subparagraph (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 Program 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 following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has established a procurement unit within MOH, with terms of reference satisfactory to the Association, to coordinate procurement under the Program; and

(b) the Borrower has appointed the independent auditors referred to in Section 4.01 (b) of this Agreement, under terms and conditions acceptable to the Association, in accordance with the provisions of 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.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for Finance 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:

Minister of Finance  
Ministry of Finance  
PO Box M40  
Accra, Ghana

Cable address:

ECONOMICON  
Accra

Telex:

2205 MIFAEPPH

For the Association:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

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 Accra, Republic of Ghana, as of the day and year first above written.

REPUBLIC OF GHANA

By /s/ Eunice Brookman-Amisshah

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Peter Harrold

Acting 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) Subprogram expenditures (including civil works, drugs, furniture, equipment, vehicles, training, materials consultants' services, studies, training and incremental operating costs)	Up to 3,600,000 in the aggregate for FY 1997, and thereafter, such amount as may be allocated for each FY by the Association	50% of eligible expenditures under the Subprogram or other percentage as the Association may determine from time to time
(2) Unallocated	21,500,000	
TOTAL	25,100,000	

2. For the purposes of this Schedule:

(a) the term "incremental operating costs" means the incremental expenses incurred on account of Program implementation, management and monitoring, including office supplies, vehicle and equipment operation, travel, per diem and supervision costs but excluding salaries of officials of the Borrower's civil and public service; and

(b) the term "eligible expenditures" means expenditures under items 2 through 9 of the health sector budget except expenditures for salaries and land.

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 except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 2,500,000, may be made on account of payments made for expenditures before that date but after January 1, 1997;

(b) a Subprogram, unless (i) such Subprogram has been approved by the Association in accordance with, and subject to, the provisions of paragraph 3 of Schedule 4 to this Agreement; and (ii) the Borrower has submitted documents satisfactory to the Association consisting of the following: (A) the draft annual budget satisfactory to the Association for MOH, submitted to Parliament for the Fiscal Year corresponding to the Subprogram; and (B) certification of the financial statement by the Financial Controller of MOH that the expenditures incurred in the previous quarter's Subprogram were for eligible items and were made in compliance with the objectives of the Program.

(c) payments made for expenditures for goods and services supplied under a contract which any national or international financing institution or agency, other than the Association, shall have financed or agreed to finance under any other credit



or grant.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Borrower in implementing Subprograms under the Program to: (a) provide universal access to basic health services and improve the quality and efficiency of health services; and (b) foster linkages with other sectors in the Borrower's economy to reduce the population growth rate, reduce the level of malnutrition, increase female education, increase access to water and sanitation and reduce poverty.

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:

The carrying out of Subprograms for:

1. Improving access to, and the quality and efficiency of, primary health services by: (a) establishing standards of practice for priority packages of health services; (b) retraining health workers, (c) rehabilitating clinics, health centers and hospitals; (d) acquisition of essential drugs, equipment and supplies; (e) strengthening the capacity of district and sub-district health management and administration systems through training and acquisition of equipment; (f) disseminating health messages to the public and collaborating with other ministries on intersectorial health issues through carrying out joint workshops and other health related activities; and (g) implementing a decentralization program for the delivery of health services to the districts and sub-districts.
2. Strengthening and reorienting secondary and tertiary service delivery to support primary health services, through rehabilitation of facilities, training, provision of technical advisory services and acquisition of drugs and medical equipment.
3. Strengthening the capacity of MOH to collaborate with other ministries and agencies dealing with health, nutrition, population, water supply and education in delivering well coordinated health packages to the public through training and the provision of technical advisory services.
4. (a) Development and implementation of training programs for health workers in clinical, public health and management skills, as well as hospital administration, including finance and budget.  
(b) Strengthening the capacity of local health training institutions, including the rehabilitation of schools, acquisition of supplies and teaching materials, revision of curricula and retraining of tutors.
5. Improving the capacity of MOH in policy development and analysis, resource allocation, performance monitoring and evaluation and regulation of delivery of health services through: (a) training of relevant staff of MOH, (b) carrying out of health-related studies and dissemination of findings, and (c) provision of logistical support for the development and revision of health policies.
6. Promotion of private sector involvement in the delivery of health services.
7. Strengthening the capacity of national health support systems in Program implementation, including personnel management, drugs and supplies management, equipment management and strengthening of financial management and information systems through training of staff.

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The Project is expected to be completed by December 31, 2001.

## SCHEDULE 3

### Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

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

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) Prequalification

Bidders for civil works estimated to cost the equivalent of \$10,000,000 or more shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$300,000 equivalent or more each.

(c) 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.

(d) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$300,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$2,000,000 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 \$50,000 equivalent per contract 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 Vaccines, drugs and supplies may be procured from UNICEF or WHO, and contraceptives may be procured from UNFPA, in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Association 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 each Subprogram 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 \$300,000 or more, and works estimated to cost the equivalent of \$2,000,000 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

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, 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.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The shortlist of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for small contracts estimated to cost less than \$75,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services for consultants may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for consultants to be employed may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

4. Service Delivery Contractors

Services to be provided by medical personnel shall be procured in accordance with procedures acceptable to the Association.

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 each Subprogram 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 \$200,000 or more, but less than the equivalent of \$300,000, the procedures set forth in paragraphs 1, 2 (other than the second 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 \$300,000 or more and each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. The Borrower shall implement the Program in accordance with the procedures set out in the PIP and, except as the Association and the Donors shall otherwise agree, the Borrower shall not amend, abrogate or waive any provision thereof if, in the opinion of the Association and the Donors, such amendment, abrogation or waiver may materially and adversely affect the implementation of the Program.

2. MOH shall be responsible for the overall implementation of the Program, including, inter alia, overseeing the health sector policy reform, coordinating the sector-wide Subprograms and coordinating the assistance from Donors to the Program. Annual Subprograms

3. The Borrower shall:

(a) not later than September 15 of each Fiscal Year during the implementation of the Project or such later date as the Association may agree, commencing on September 15, 1998, furnish to the Association for its approval each proposed Subprogram to be carried out in the following Fiscal Year, modified in a manner satisfactory to the Association, taking into account its comments and views on the matter;

(b) carry out, or cause to be carried out, each such Subprogram in accordance with modalities and procedures as approved by, and in a manner satisfactory to, the Association and in accordance with the PIP; and

(c) not make any material change to the approved Subprogram without the prior approval of the Association.

4. Except as the Borrower and the Association shall otherwise agree, the Association shall not approve any proposal for a Subprogram furnished to it pursuant to subparagraph 3 (a) above unless and until:

(a) the Borrower shall have prepared and furnished to the Association an

operational plan for the Subprogram, setting forth, inter alia, the activities to be carried out, any policy reforms and other measures to be implemented, the expenditures to be incurred, the sources of financing of such expenditures and the procurement plan to be followed; and

(b) the Association shall have been satisfied with the progress made to date in the carrying out of the current activities under the Subprogram to which the proposal relates on the basis of indicators referred to in paragraph 11 of this Schedule. Budget Management

5. MOH shall be responsible for the preparation and implementation of health budgets for the consolidated activities under Subprograms and the monitoring of the performance of sector delivery of health services at the BMCs.

6. District health management teams established in each district shall be responsible for organizing the local provision of health services at the community level in a manner consistent with the terms of reference set forth in the PIP. The teams shall prepare annual plans and budgets for their districts. These will be incorporated in the annual Subprograms.

7. The regional health teams shall be responsible for providing supervision and logistical support to the districts and organizing referral care. Health Account Funds

8. The Borrower shall maintain, in a bank acceptable to the Association, an account (the Health Account) into which reimbursements to the Borrower out of the proceeds of the Credit and contributions from Donors will be deposited. Funds in the Health Account shall be used exclusively for the purpose of the Program.

9. The Borrower shall disburse funds from the Health Account to the BMCs in accordance with approved annual plans and budgets, and in accordance with procedures set forth in the PIP. Prior to disbursement of Health Account funds to a BMC, the financial controller of MOH, in consultation with staff of the Controller and Accountant General, will certify that the BMC concerned (a) has taken the necessary measures to strengthen its internal financial management and (b) is in compliance with the minimum criteria of eligibility for funding, specified in paragraph 10 below.

10. In order for any BMC to be eligible to receive funds from the Health Account, it must meet the following criteria:

(a) it has prepared and submitted its annual budget for IGF and Health Account funds,

(b) the annual budget referred to in (a) above is accompanied by a statement of quantified targets and objectives for the total resources made, or to be made, available to it,

(c) it has instituted satisfactory procedures of collecting fees from patients and for the regular deposit of said fees in a bank account,

(d) there is an adequate and acceptable procedure for authorization of payments out of the IGF, Health Account and Borrower funds,

(e) its cash and bank books are maintained up to date, and the bank balance is reconciled regularly and promptly at the end of each month, and

(f) the BMC has adequate staff and procedures to prepare: (i) monthly summary reports of revenues and expenditures for IGF, Health Account and Borrower funds, and (ii) an annual summary statement of said revenues and expenditures. Performance Indicators

11. The Borrower shall:

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

(b) furnish to the Association and the Donors: (i) quarterly financial statements indicating all revenues and expenditures for each level of BMC, according to the source of funds, the budget items and a selection of performance indicators agreed upon between the Borrower and the Association; (ii) not later than January 1 of each year of implementation of the Program or such later date as the Association may agree, commencing on January 1, 1998, the annual MOH budget that is to be submitted to Parliament; (iii) not later than April 1 of each year of implementation of the Program or such later date as the Association may agree, commencing on April 1, 1998, an annual report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in carrying out the Program during the previous fiscal Year and setting out the measures recommended to ensure the efficient carrying out of the Program and the achievement of the objectives thereof during the period following such date, and the report of actual expenditures against the budget for the previous Fiscal Year; and (iv) not later than October 1 of each year of implementation of the Program or such later date as the Association may agree, commencing on October 1, 1998, the sector budget to be submitted by MOH to the Ministry of Finance for the following Fiscal Year.

12. The Borrower shall: (a) not later than the fifth year of the Program, carry out, under terms of reference satisfactory to the Association and the Donors, an evaluation of the impact of the Program on the delivery of health services, including an analysis on the benefits derived by vulnerable groups of the population from public expenditures on health, and (b) soon thereafter, furnish the report of said evaluation to the Association and Donors.

13. The Borrower shall, not later than July 31, 1998, put in place arrangements, satisfactory to the Association, including the appointment of a procurement expert in accordance with the provisions of Section II of Schedule 3 to this Agreement, for reviewing the procurement of goods, works and services financed under the Program, including the reviewing of procurement procedures and processes.

