

CONFORMED COPY

CREDIT NUMBER 2915 NIR

Development Credit Agreement

(Health Sector Development Program)

between

REPUBLIC OF NIGER

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 13, 1996

CREDIT NUMBER 2915 NIR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 13, 1996, between REPUBLIC OF NIGER (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received two letters, dated June 13 and 21, 1996 (both, including three annexes, referred to hereinafter as the Policy Letter) from the Borrower describing a program of actions, objectives, and policies designed to strengthen the management capabilities of the Borrower's health sector (referred to hereinafter as the Program), and declaring the Borrower's commitment to the execution of the Program; 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."

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) "CFAF" or "CFA Francs" mean the currency of the Borrower;
- (b) "CHD" means Centre hospitalier d'partemental, a departmental hospital responsible for second-referral services;
- (c) "CM" means Centre mdical, a medical center, being transformed into a HD under the PDS (both as hereinafter defined);
- (d) "Comit de Sant de District" means the Health District's (as hereinafter defined) health committee as defined in the PDS;
- (e) "CSI" means Centre de sant intgr, an integrated health center providing basic health services;
- (f) "DAF/M" means MOPH's (as hereinafter defined) Direction des affaires financieres et du matriel;
- (g) "DDS" means MOPH's Direction dpartementale de la sant;
- (h) "DEP" means MOPH's Direction des tudes et de la programmation;
- (i) "Health District" means a geographical area in the Borrower's territory as defined in the Borrower's Arret No. 0069/MSP/SG of June 3, 1996;
- (j) "DPhL" means MOPH's Direction des pharmacies et laboratoires;
- (k) "DR" means dispensaire rural, a rural health dispensary, being transformed into a CSI under the PDS;
- (l) "ECD" means quipe cadre du district sanitaire, MOPH's unit responsible for the implementation of the Borrower's health policy at the Health District level, as defined in the Borrower's Arret No. 0069/MSP/SG of June 3, 1996;
- (m) "FY" means the fiscal year of the Borrower, starting on January 1 of each year and ending December 31 of the same year;
- (n) "HD" means hpital de district sanitaire, the Health District hospital responsible for first- referral services;
- (o) "IEC" means information, education and communication, a tool for the promotion of health awareness;
- (p) "MFP" means the Borrower's Ministry of Finance and Planning;
- (q) "MOPH" means the Borrower's Ministry in charge of Public Health;
- (r) "MST/SIDA" means maladies sexuellement transmissibles/syndrome

immuno-dficitaire acquis; sexually transmitted diseases/acquired immune deficiency syndrome;

(s) "NGO" means a non-profit, non-governmental organization operating within the territory of the Borrower;

(t) "NPMP" means the Borrower's national pharmaceutical master plan adopted on October 30, 1995;

(u) "ONPPC" means the Office National des Produits Pharmaceutiques et Chimiques, an agency established and operating pursuant to Law No. 62-36 of September 18, 1962 of the Borrower and responsible for procurement, production, quality control and retail of drugs, chemical products and other essential medical supplies;

(v) "PDS" means plan de developpement sanitaire, the Borrower's national health sector development plan adopted in March 1994;

(w) "PDSD" means plan de developpement sanitaire de district sanitaire, the health sector development plan prepared by the respective Health Districts;

(x) "PMA" means paquet minimum d'activits, a minimum package of basic health activities;

(y) "PNLS" means the Borrower's plan national pour la lutte contre le SIDA, the national program for prevention of MST/SIDA;

(z) "Project Account" means the account referred to in Section 3.02 (a) of this Agreement;

(aa) "Project Area" means the Borrower's Health Districts of Diffa and Main-Soroa (Department of Diffa); and Goure, Mirriah and Tanout (Department of Zinder) or such other Health Districts as may be designated from time to time by the Borrower with the agreement of the Association;

(ab) "Project Operational Manual" means the manual to be adopted pursuant to Section 6.01 (a) of this Agreement, providing, inter alia, the criteria, the procedures and the guidelines for the coordination, management, monitoring and evaluation of the Project, as said manual may be amended from time to time by the Borrower with the consent of the Association, and such term to include all annexes, schedules and tables supplemental to such manual;

(ac) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated June 21, 1996 between the Borrower and the Association; and

(ad) "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 twenty seven million nine hundred thousand Special Drawing Rights (SDR 27,900,000).

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, works 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 CFAF 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 canceled.

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 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 or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

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

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one 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 semi-annually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 15 and December 15, commencing December 15, 2006 and ending June 15, 2036. Each installment to and including the installment payable on June 15, 2016 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 Association 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 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 objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MOPH with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and health sector 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. The Borrower shall:

(a) open and, until the completion of the Project, maintain in a commercial bank acceptable to the Association, and on terms and conditions acceptable to the Association, an account in CFAF;

(b) deposit into the Project Account: (i) an amount of CFAF fifty million (CFAF50,000,000) on behalf of the first year of Project implementation; and (ii) thereafter, amounts needed for the carrying out of the Project in accordance with the budget and action plan for the forthcoming year agreed upon during the annual reviews referred to in Section 3.03 (a) of this Agreement; and

(c) ensure that funds deposited into the Project Account in accordance with paragraph (b) above shall be used exclusively to finance the Borrower's counterpart contribution for expenditures under the Project other than those financed from the proceeds of the Credit.

Section 3.03. The Borrower shall:

(a) not later than April 30 of each year, commencing on April 30, 1997, carry out, in consultation with the Association, an annual review, attended by representatives of MOPH, MFP, and other ministries of the Borrower, with a specific in-depth review in 1999 (the Mid-Term-Review) on all matters relating to progress in the implementation of the Program and the Project, and to evaluate such progress by reference to the performance indicators agreed upon between the Borrower and the Association. Each annual review shall cover, inter alia:

- (i) past performance through the evaluation of, inter alia:
 - (A) the quarterly health sector performance reports prepared by ECDs and consolidated semi-annually by DDSs, in accordance with the provisions of paragraph (1) (c) of Schedule 4 to this Agreement; (B) compliance with financial, audit and other covenants relating to the Project and execution of the health sector's recurrent budget for the past FY; and
- (ii) proposed future action through consideration of, inter alia:
 - (A) the updated three-year rolling development plan for its health sector; (B) salary and non-salary recurrent budget allocations to the health sector for the following FY, including a detailed staffing plan for facilities to be built, rehabilitated or upgraded, as the case may be, in the Project Area, during said FY; (C) an action plan

for the implementation of the Program and the Project for the forthcoming FY, including a proposed budget and financing plan with specific amounts to be deposited into the Project Account, and proposals to remedy any short-coming identified in the implementation of the Program or the Project, as the case may be; and (D) the relevance of the Project Area for Project intervention;

(b) invite representatives of the Comits de sant de district sanitaire and NGOs to attend said review referred to in subparagraph (a) of this Section;

(c) not later than four weeks prior to said review, furnish to the Association, for its consideration, a report in such detail as the Association shall reasonably request, covering all items referred to in paragraph (a) of this Section;

(d) on the basis of the comments expressed during said review meeting by the Association and other participants, prepare, prior to the closing of said review meeting, revisions, as required, acceptable to the Association, to the documents referred to in subparagraph (ii) of paragraph (a) of this Section;

(e) following each such review meeting, act promptly and diligently to implement such plans and budgets as revised, in accordance with the provisions of sub-paragraph (d) of this Section; and continue to take all measures required to ensure the efficient implementation of the Project and the achievement of the objectives of the Project and the Program;

(f) carry out the Mid-Term-Review in accordance with the procedures laid out in paragraphs (b) through (d) of this Section, which shall cover, inter alia:

- (i) the appropriateness of the health sector human resource strategy, as outlined in Annex 3 to the Policy Letter;
- (ii) the Project's impact on the health status in the Project Area, based on the surveys referred to in Part A (2) (f) of the Project;
- (iii) the report and draft legal framework for the restructuring of ONPPC referred to in Part B (3) (a) of the Project;
- (iv) the implementation of the activities under Part C (2) (b) of the Project, judged against specific performance indicators agreed upon between the Borrower and the Association; and
- (v) the sustainability of the Program and the Project, considering their financial, operational, technical and administrative requirements.

Section 3.04. Except as the Association shall otherwise agree, procurement of the goods, works and 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 3.05. For the purposes of Section 9.07 of the General Conditions and without limitations 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 designed to ensure 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 FY 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 (6) months after the end of each such FY, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

- (i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the FY 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 event is specified, namely that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

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:

- (i) adopted the Project Operational Manual, in form and

substance acceptable to the Association;

(ii) adopted a work program, acceptable to the Association, for the first twelve-month period after the Effective Date;

(b) (i) furnished to the Association evidence, acceptable to the Association, that a computerized accounting and financial management system for the implementation of the Project has been established in DAF/M and the two (2) DDS within the Project Area and the DDS of Tillaberi, and (ii) appointed qualified and experienced accountants in DAF/M and the two (2) DDS within the Project Area, all in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(c) selected independent auditors for the purpose of Section 4.01 (b) (i) of this Agreement, in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(d) opened the Project Account and deposited the amount specified in Section 3.02 (b) (i) of this Agreement into said Account; and

(e) appointed qualified and experienced persons to the three (3) departmental Project coordinator positions referred to in paragraph (3) (a) of Schedule 4 to this Agreement.

Section 6.02. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The 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:

S.E. le Ministre des Finances et du Plan
Ministre des Finances et du Plan
BP 862
Niamey
Niger

Cable address:

MINIPLAN Niamey

Telex:

5463 NI

For the Association:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:

INDEVAS
Washington, DC

Telex:

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF NIGER

By /s/ Amadou B. Cisse

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

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 in SDR Equivalent)	% of Expenditures to be Financed
(1) Works		100% of foreign expenditures, and 90% of local expenditures
(a) for Part A 2 (a) (ii) of the Project	4,400,000	
(b) other	4,880,000	
(2) Goods, including vehicles,		100% of foreign expenditures; 100% of local expenditures (ex- factory costs) and 90% of local expenditures for other items procured locally
(a) for Part A 2 (a) (v) of the Project	1,050,000	
(b) other	1,750,000	
(3) Drugs	5,930,000	100% of foreign expenditures; 100% of local expenditures (ex- factory costs) and 90% of local expenditures for other items procured locally
(4) Consultant's services		100%
(a) under Part C (2) (b) of the Project	280,000	

(b) other	3,070,000	
(5) Training	2,090,000	100%
(6) Operating Costs	2,360,000	90% until June 30, 1999; thereafter 80%
(7) Refunding of Project Preparation Advance	490,000	Amount due pursuant to Section 2.02 (c) of of this Agreement
(8) Unallocated	1,600,000	
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TOTAL	27,900,000	
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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; provided, however, that if the currency of the Borrower is also that of another country from the territory of which the goods and services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures";

(c) the term "operating costs" means incremental costs related to this Project and, with effectiveness beginning on or after July 1st, 1997, related to the Project referred to under the Development Credit Agreement between the Association and the Borrower signed May 22, 1992 (Credit No. 2360-NIR), including operation and maintenance of construction, vehicles and equipment; communications, office supplies, office rent and utilities, and contractual staff salaries and allowances; and

(d) the term "vehicles" means motor-cars, four-wheel drive vehicles and motor-cycles.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) payments made for expenditures under Categories 1 (a) and 2 (a) of paragraph 1 of this Schedule, unless the Borrower has furnished to the Association the action plan on budgetary resources and staffing of the health sector, referred to in Annex (3), paragraph X, (5) to the Policy Letter, in form and substance acceptable to the Association; and

(c) payments made for expenditures under Category 3 of paragraph 1 of this Schedule unless the Borrower has adopted a decret d'application de la loi No. 95-014 du 3 juillet 1995 on cost recovery, satisfactory to the Association;

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures: (a) for works under contracts not exceeding \$200,000 equivalent; (b) for goods under contracts not exceeding \$100,000 equivalent; and (c) for services: (i) by firms under contracts not exceeding \$100,000 equivalent, and (ii) by individuals under contracts not exceeding \$50,000 equivalent; all under such terms and conditions as the Association shall specify by notice to the Borrower.

Description of the Project

The objective of the Project is to assist the Borrower in improving the health condition of its population, through the improvement of: (a) the quality and coverage of basic health services; (b) the access of the population to essential generic drugs; and (c) the efficiency of agencies operating in its health sector through strengthening of: (i) management at central governmental and at local levels; and (ii) the participation of the private sector and the population in the delivery of health care services.

The Project, which includes activities envisaged under the Program, 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: Improving the Quality and Coverage of Basic Health Services

1. Nationwide:

(a) Implementation of the medium-term plans of PNLs through, inter alia: (i) acquisition of equipment, materials, supplies and drugs and the provision of technical advisory services in program design and management; and (ii) training of MOPH's staff in program management and supervision; and

(b) carrying out of impact assessment studies, supervision, monitoring and evaluation activities in furtherance of the objectives of PNLs.

2. In the Project Area:

(a) extension of health service coverage, upgrading of basic and first-referral services and transformation of DRs and medical posts into CSIs, and CMs into HDs, all in accordance with the norms and standards referred to in the PDS, through, inter alia: (i) rehabilitation or expansion, as the case may be, of existing DRs, medical posts and CMs; (ii) construction of new CSIs; (iii) training of staff in HDs and CSIs through refresher and in-service medical and technical courses, specialized training, and development and implementation of an integrated supervision system; (iv) delivery of PMAs through CSIs and HDs; (v) acquisition of medical and technical equipment, furniture, materials, supplies and vehicles for HDs and CSIs; and (vi) provision of safe water and waste water treatment to HDs and CSIs;

(b) provision of initial drug stocks to all HDs and CSIs, the Diffa CHD, and the hpital national de Zinder;

(c) implementation of cost recovery mechanisms in the health sector and the carrying out of studies to monitor and review the effectiveness of said mechanisms;

(d) training of health sector staff and selected community representatives in management techniques, for, inter alia, the administration of drug stocks and financial resources generated by the sale of drugs and disposable medical supplies;

(e) strengthening of patient referral capacity of hospitals, through, inter alia: (i) carrying out of studies of the patient referral system and hospital management; (ii) rehabilitation of, and acquisition of equipment for, CHD of Diffa; and (iii) provision of technical advisory services to develop training methods aimed at strengthening of hospital management and patient referral capacity based on the studies referred to in sub-paragraph (i) of this paragraph, and provision of technical advisory services for the application of such knowledge in HDs, the CHD of Diffa and the hpital national de Zinder; and

(f) carrying out of an epidemiological survey and a survey of the population's perception of the impact of the Program.

Part B: Improving the Supply and Distribution of Essential Generic

Drugs

1. Strengthening of DPhL through, inter alia:

(a) provision of technical advisory services to review the legal framework for the production and distribution of pharmaceuticals within the territory of the Borrower;

(b) rehabilitation of the registration system for drugs; and

(c) establishment of a pharmaceutical documentation service.

2. Provision of technical assistance and logistical support to strengthen the pharmaceutical inspection service.

3. Strengthening of ONPPC through, inter alia:

(a) restructuring of ONPPC in accordance with guidelines adopted by the Borrower on May 23, 1996;

(b) provision of technical advisory services to: (i) improve ONPPC's financial management and general accounting capacity; (ii) establish an analytical accounting system for its restructured units; (iii) assist in balancing the budget of ONPPC as restructured; (iv) strengthen management and procurement capacities of ONPPC's essential generic drug procurement unit and restructure the unit responsible for purchases of specialty drugs; and (v) establish a computerized management system for drug procurement, distribution and stock management, and quality control;

(c) acquisition of stocks of essential generic drugs and other medical consumables and laboratory supplies; and

(d) carrying out of a study of distribution channels, logistics and retailing of state pharmacies.

Part C: Building Capacity and Forging Partnerships in Support of Health Sector Reform

1. Decentralization and strengthening of MOPH in accordance with the PDS.

(a) Establishment of Health Districts in the Project Area, through, inter alia: (i) establishment of ECDs and provision of training to develop skills in training, supervision, team building, sector management (planning, programming, monitoring and evaluation), and management of resources, and training of health staff of HDs and CSIs in management of services and resources; and (ii) acquisition of equipment, furniture, materials and vehicles for ECDs, CSIs, and HDs; and

(b) Strengthening of the two (2) DDSs in the Project Area and of the DDS in the department of Tillaberi through, inter alia: (i) provision of technical advisory services and training and carrying out of workshops to strengthen DDS's capacity in implementing new functions laid out in the PDS; and (ii) acquisition of equipment, furniture, materials and vehicles; and

(c) Strengthening of MOPH's central functions in accordance with the policy laid out in the PDS through, inter alia: (i) provision of technical advisory services and training in developing managerial tools, procedures and operational manuals for sector management and aid coordination in support of the sector program approach laid out in the PDS; (ii) consolidation of various information systems currently available in MOPH and development of an appropriate communications system within MOPH and between the central and peripheral departments of MOPH; (iii) acquisition of equipment, furniture materials and vehicles to, and provision of technical advisory services and training for MOPH; and (iv) the carrying out of studies concerning the feasibility of rehabilitation of the CHDs in Tahoua and Maradi.

2. Strengthening of participation of the private sector and local communities in the health sector, through, inter alia:

(a) promotion of community participation in the management, financing and implementation of health sector activities, through, inter alia: (i) regional study tours; (ii) exchanges of information among ECDS, NGOs and representatives of the population at the Health District level; (iii) operational research; (iv) training in participatory techniques; and (v) development of a legal framework for community participation in the health sector; and

(b) support initiatives aimed at implementing the PDS at the Health District level through, inter alia: training, research, IEC activities and counseling functions to selected NGOs, representatives of the population, or other qualified parties in the Health Districts, as the case may be, in the areas of, inter alia: (i) motherhood and child care, (ii) safe water supply, and (iii) preventive health-care.

* * *

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

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

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

Part B: International Competitive Bidding

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

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

(a) Grouping of contracts

To the extent practicable, contracts for: (i) goods, other than drugs and disposable medical supplies, shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each; and (ii) works shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each.

(b) Drugs

Drugs and disposable medical supplies shall be procured on the basis of the Bank's "Standard Bidding Documents for the Procurement of Pharmaceuticals and Vaccines" (September 1993), and "Standard Bidding Documents for the Procurement of Goods" (January 1995).

(c) Preference for domestically-manufactured goods and drugs

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods and drugs manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods, other than drugs and medical supplies, estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to

exceed \$1,000,000 equivalent, and works estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$11,600,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines, provided, however, that (a) bids are opened in public, (b) contracts are awarded to the lowest evaluated responsive bidder, (c) a minimum of 30 days is provided between availability of bid documents and the bid submission deadline, and (d) foreign bidders are allowed to participate.

2. National Shopping

Goods, estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Specialized computer hardware and software may be procured with the Associations' prior approval under direct contracting procedures in accordance with the provisions of paragraph 3.7 of the Guidelines.

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 works estimated to cost the equivalent of \$200,000 or more; and each contract for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each, or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to: (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract

value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. For the purposes of carrying out the Project, the Borrower shall:

(a) apply the policies, procedures and arrangements specified in the Project Operational Manual and shall not amend said Manual, or any provision thereof, in a manner which, in the opinion of the Association, would materially and adversely affect the implementation of the Project;

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

(c) convene, as soon as ECDs have been established in accordance with the Borrower's Arret No. 0069/MSP/SG of June 3, 1996: (i) quarterly meetings at the Health District level, with representatives of the population in such Health District, chaired by ECDs, to review the Health District's implementation performance of the PDS, identify any shortcomings in achieving the objectives set out in said PDS and agree on actions to remedy said shortcomings during the following quarter; and (ii) semiannual meetings chaired by directors in DDS to review Project implementation within the respective departments, drawing on the results of the quarterly meetings referred to in sub-paragraph (i) of this paragraph;

(d) furnish to the Association, for its review and comments, six months after each annual review referred to in Section 3.03 (a) of this Agreement, progress reports on the implementation of the Project, including: (i) the reports and/or recommendations, as the case may be, of the meetings referred to in subparagraph (c) (ii) of this paragraph, and assessment reports, in form and substance acceptable to the Association, on the implementation of Part C (2) (b) of the Project; and

(e) with respect to goods and works to be procured under international or national competitive bidding procedures, as the case may be: (i) within sixty (60) days from bid opening for contracts under Section I, Part B paragraph (2) (a) and (b) of Schedule 3 to this Agreement, and thirty (30) days for contracts under Section I, Part C paragraph (1) and Section II of Schedule 3 to this Agreement, transmit to the Association documentation as set forth in paragraph (2) (c) of Appendix 1 to the Guidelines referred to in Schedule 3 to this Agreement; and (ii) within thirty (30) days from the receipt of the internal approval, or the Association's non-objection to the proposed contract, as the case may be, have said contract signed.

2. The Borrower shall appoint, in accordance with the provisions of Section II of Schedule 3 to this Agreement, and maintain, until the completion of the Project, a health and management specialist, with qualifications and experience acceptable to the Association, to advise MOPH on sector reform and Program implementation.

3. The Borrower shall ensure that in the Project Area:

(a) the DDS staff designated to act as departmental Project coordinators shall, at all times until completion of the Project, have qualifications and experience acceptable to the Association;

(b) the staff of each of the three DDSs referred to under Part C (1) (b) of the Project, include, at all times, a financial specialist with qualifications and experience acceptable to the Association; and

(c) establish, within twelve months after the Effective Date, the ECDs according to Arret No. 0069/MSP/SG of June 3, 1996.

4. The Borrower shall:

(a) no later than three months after the Effective Date, prepare drafts, acceptable to the Association, for consideration by Parliament of: (i) a pharmaceutical law and, (ii) a law on the dmonopolisation de l'ONPPC, both acceptable to the Association;

(b) no later than December 31, 1997, reorganize ONPPC's unit responsible for procurement of essential generic drugs, in accordance with terms of reference acceptable to the Association;

(c) no later than six months prior to the Mid-Term-Review, referred to in Section 3.03 of this Agreement, submit to the Association for its review and comment draft regulations on: (i) quality control and laboratory work; (ii) production; and (iii) acquisition, distribution and retailing; acceptable to the Association, to govern the operations of ONPPC's respective units; and at the latest by June 30, 2000, adopt said regulations.

5. The Borrower shall establish, no later than March 31, 1998, a pricing mechanism for essential generic drugs, acceptable to the Association.

6. The Borrower shall carry out, no later than six months prior to the Mid-Term-Review referred to under Section 3.03 of this Agreement: (a) an evaluation of community participation under Part C (2) (a) of the Project, in such detail as the Association shall reasonably request, including, inter alia, a draft legal framework for community participation in the health sector, in accordance with terms of reference acceptable to the Association; and (b) the two surveys referred to in Part A (2) (f) of the Project, both in such scope and detail as the Association shall reasonably request.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6), set forth in the Table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works 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 CFAF 750,000,000, 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 CFAF 375,000,000, until: (i) the aggregate amount of withdrawals from the Credit Account allocated to Categories (1) through (6) 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 \$20,000,000.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits into the Special Account of an amount 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; and
- (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 eligible Categories, and in the 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 Account 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 for the Special Account minus the total amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund

to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

(d) Refunds to the Association made pursuant to 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.

