

CONFORMED COPY

CREDIT NUMBER 1913 ET

(Family Health Project)

between

PEOPLE'S DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 14, 1988

CREDIT NUMBER 1913 ET

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 14, 1988, between PEOPLE'S DEMOCRATIC REPUBLIC OF ETHIOPIA (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 Borrower intends to contract from the United Nations Children's Fund (UNICEF) a grant in an amount equivalent to \$500,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and UNICEF; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

(a) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "MOH" means the Ministry of Health of the Borrower;

(c) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated August 31, 1985, October 4, 1985, October 12, 1987, and December 1, 1987, between the Borrower and the Association;

(d) "MCH" means maternal and child health;

(e) "FP" means family planning; and

(f) "fiscal year" means the fiscal year of the Borrower which begins on July 7 and ends on July 6 of the following year.

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-three million eight hundred thousand Special Drawing Rights (SDR 23,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in its Central Bank, on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1997 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from a 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; (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 as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

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

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15, commencing August 15, 1998, and ending February 15, 2028. Each installment to and including the installment payable on February 15, 2008 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

ARTICLE III

Execution of the Project

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

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Action Plan set forth in Schedule 5 to this Agreement.

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

Section 3.03. The Borrower shall, from time to time, but no less than once every twelve months, exchange views with the Association on:

(a) the population policies and annual implementation plans which the Borrower is developing within the framework of the preparation of the Borrower's five-year plan for the 1990-1994 period;

(b) the health financing alternatives which the Borrower is examining for the purpose of experimenting with those identified as the most promising;

(c) the measures proposed by the Borrower to increase the recurrent resources available for non-salary expenditures for the Borrower's health sector in the Shewa regions; and

(d) the results of the measures the Borrower has introduced to improve the effectiveness of the community health workers and other innovations in health care, such as maternity villages in the Shewa regions.

Section 3.04. (a) During execution of the Project, the Borrower shall maintain a health education coordinating committee which shall meet on a regularly scheduled basis.

(b) During execution of the Project, the Borrower shall maintain a project management unit with qualified staff in adequate numbers.

Section 3.05. (a) By February 1 of each year during execution of the Project, the Borrower shall furnish to the Association, for comment, a draft implementation plan and budget covering all activities to be carried out under the Project during the subsequent fiscal year of the Borrower.

(b) By July 1 of each year during execution of the Project, the Borrower shall furnish to the Association the final implementation plan and budget for the subsequent fiscal year of the Borrower; such implementation plan and budget to take into account the comments made by the Association.

Section 3.06. By September 30, 1991, the Borrower shall prepare a project performance review, including management and beneficiary assessment, under terms of reference acceptable to the Association, and, by December 31, 1991, the Borrower shall review

the findings and recommendations with the Association to rectify identified constraints.

Section 3.07. During the first three years of execution of the Project, the Borrower shall limit the experiment with delivery of contraceptives by community workers to the catchment areas of four (4) health centers in the Shewa regions. Thereafter, in case the project performance review, referred to in Section 3.06 above, concludes that the experiment has been technically successful and culturally acceptable, delivery of contraceptives by community workers shall be expanded to the rest of the Shewa regions.

Section 3.08. The Borrower shall train qualified personnel, in adequate numbers, in health management and health teacher training, nurse-midwifery and MCH nursing and for the institutions participating in the Project.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

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

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

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

during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Effective Date; Termination

Section 5.01. 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 shall have established and staffed the Health Education Department within MOH responsible for the development, implementation and coordination of a national health education strategy;

(b) the Borrower shall have established a health education coordinating committee with the participation of multi-sectoral institutions for the purpose of coordinating the implementation of the Borrower's overall health education strategy;

(c) the Borrower shall have established and staffed the Pharmaceutical and Medical Supply Control Department within MOH to carry out, inter alia, drug quality control functions; and

(d) the Borrower shall have furnished to the Association the final implementation plan and budget for the first year of execution of the Project in accordance with the provisions of Section 3.05 (b) of this Agreement.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower responsible for Foreign Economic Relations is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry for Foreign Economic Relations
P.O. Box 2428
Addis Ababa
Ethiopia

Cable address:

ONCCP ET
Addis Ababa

Telex:

21531

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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

PEOPLE'S DEMOCRATIC
REPUBLIC OF ETHIOPIA

By /s/ Girma Amare
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael Gillette
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) Works:		
(a) Nurse training school	550,000	100% of foreign expenditures and 85% of local expenditures
(b) Other	7,000,000	100% of foreign expenditures and 85% of local expenditures
(2) Equipment, materials and supplies	3,400,000	100% of foreign expenditures and 85% of local expenditures
(3) Vehicles	950,000	100%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
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(4) Recurrent cost (excluding salaries)		
(a) through December 31, 1990	790,000	100%
(b) from Janu- ary 1, 1991 through Decem- ber 31, 1992	1,540,000	80%
(c) from Janu- ary 1, 1993 through Decem- ber 31, 1994	1,540,000	50%
(d) from January 1, 1995 and thereafter	1,540,000	30%
(5) Training	330,000	100%
(6) Studies	780,000	100%
(7) Consultants' services	260,000	100%
(8) Refunding of Project Prepara- tion Advance	820,000	Amount due pursuant to Section 2.02 (c) of this Agree- ment
(9) Unallocated	4,300,000	
	23,800,000	
TOTAL	23,800,000	

2. For the purposes of this Schedule:

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

(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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, and no withdrawals shall be made in respect of payments made for expenditures under Category 1(a) until the Association has received a satisfactory detailed plan of action specifying the measures undertaken by the Borrower in the development of a program for tutor training, post-basic nurse midwifery, post-basic MCH and in-service refresher training of health staff in the Shewa regions.

SCHEDULE 2

Description of the Project

The objectives of the Project are to increase the quality, coverage and cost-effectiveness of maternal and child health services, to increase the availability and use of family planning services, and to strengthen the institutional capacity of MOH.

The Project consists of the following parts, subject to such modifications thereof, as the Borrower and the Association may agree upon, from time to time, to achieve such objectives:

Part A: Area Development

Strengthening of MCH/FP services through rehabilitation, furnishing and equipping of three rural hospitals, 18 health centers and about 180 health stations; development of three new health centers; establishment of three regional-level management teams; support for innovative activities in MCH/FP service delivery; and carrying out of monitoring and evaluation studies.

Part B: Manpower Development

Improvement of the quality of health manpower training through rehabilitation of one nursing school on two campuses, one health assistant school, one laboratory technician school, and one sanitarian school; and expansion and rehabilitation of one health assistant school.

Part C: Institutional Development

Strengthening of the Planning and Programming Department of MOH and key units in MOH, including the architectural unit, the management information unit, the procurement unit and the MCH unit; and establishment of a unit responsible for building, vehicle and equipment maintenance.

Part D: Health Education

Strengthening of health education capacity through construction of a health learning materials development unit; and renovation and equipping of office facilities.

Part E: Pharmaceuticals Development

Support for investments to increase the production of MOH's existing pharmaceutical manufacturing plant; renovation and equipping of central medical stores, and establishment and staffing of seven new regional stores and one bonded warehouse.

Part F: Studies

Carrying out by MOH of a review of hospital services and health financing options and a study on the development of a management system.

* * *

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

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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

2. Bidders for works estimated to cost the equivalent of \$500,000 or more shall be prequalified as described in paragraph

2.10 of the Guidelines.

3. To the extent practical and consistent with appropriate technical standards and procurement procedures, contracts for works, equipment and vehicles shall be grouped.

Part B: Preference for Domestic Manufacturers

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

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Equipment, materials and supplies estimated to cost less than the equivalent of \$100,000 per contract, but more than the equivalent of \$20,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,000,000, and civil works estimated to cost the equivalent of \$500,000 or less per contract, up to an aggregate amount not to exceed the equivalent of \$2,500,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Equipment, materials and supplies estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount not to exceed the equivalent of \$200,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Civil works related to selected health centers and stations may be carried out by force account.

Part E: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for civil works estimated to cost the equivalent of \$200,000 or more and with respect to each contract for vehicles and equipment estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

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

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1) through (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated, from time to time, to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$2,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for Eligible Expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective Eligible Categories, and in the respective equivalent amounts, as shall

have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for Eligible Expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

- (i) the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or
- (ii) the total unwithdrawn amount of the Credit allocated to the Eligible Categories, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Credit Account.

