

CONFORMED COPY

CREDIT NUMBER 3101 BD

Development Credit Agreement

(Health and Population Program Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 30, 1998

CREDIT NUMBER 3101 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 30, 1998, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated April 28, 1998, from the Borrower describing sector reforms that constitute the framework for improving the health and family welfare sector in Bangladesh, including policy, institutional, technical and administrative reforms (hereinafter called the Health and Population Sector Program) and declaring Bangladesh's commitment to carry out such Health and Population Sector Program;

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

(C) the Borrower intends to obtain from the Government of Canada, acting through the Canadian International Development Agency (CIDA) a grant (the CIDA Grant) in an amount of Can\$21,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the CIDA Grant Agreement) to be entered into between the Borrower and Canada;

(D) the Borrower intends to obtain from the Commission of the European Union (EC) a grant (the EC Grant) in an amount of ECU81,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the EC Financing Agreement) to be entered into between the Borrower and EC;

(E) the Borrower intends to obtain from the Government of the Federal Republic of Germany, acting through the Deutsche Gesellschaft fur Technische

Zusammenarbeit (GTZ) and the Kreditanstalt für Wiederaufbau (KfW), grants (the GTZ Grant and the KfW Grant, respectively) in the respective amounts of DM9,800,000 and DM45,000,000, to assist in financing part of the Project on the terms and conditions set forth in agreements (the GTZ Grant Agreement and the KfW Financing Agreement, respectively) to be entered into between the Borrower and the Federal Republic of Germany;

(F) the Borrower intends to obtain from the Netherlands' Minister for Development Cooperation (the Netherlands) a grant (the Netherlands Grant) in an amount of NLG50,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the Netherlands Grant Agreement) entered into between the Borrower and the Netherlands Government;

(G) the Borrower intends to obtain from the Government of the Kingdom of Sweden (Sweden), acting through the Swedish International Development Cooperation Agency (Sida) a grant (the Swedish Grant) in an amount of SKr260,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the Swedish Grant Agreement) entered into between the Borrower and Sweden;

(H) the Borrower intends to obtain from the United Kingdom of Great Britain and Northern Ireland (United Kingdom), acting through the Department for International Development (DfID) a grant (the DfID Grant) in an amount of (55,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the DfID Grant Agreement) to be entered into between the Borrower and the United Kingdom;

(I) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Pooled Funds (as hereinafter defined) be disbursed pro rata with the proceeds of the Credit in each Fiscal Year; and

(J) Canada, the European Union, Germany, the Netherlands, Sweden, the United Kingdom and the Association intend to enter into an agreement (the Co-Financiers' Memorandum of Understanding) making arrangements for the coordination and administration of the financing provided severally by each co-financier and the Association, and regulating certain other matters of common interest in connection with such financing; 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, (as amended through December 2, 1997), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries.

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country 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) "Bangladesh Bank" means the Central Bank of Bangladesh established under Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972) as amended to the date of this Agreement;

(b) "MOHFW" means the Ministry of Health and Family Welfare of the Borrower;

(c) "Sub-program" means the program of the Borrower in respect of the Health and Population Sector Program for each of the Fiscal Years 1999, 2000, 2001, 2002 and 2003, which has been, or shall be, as the case may be, formulated within the framework of the Health and Population Sector Program, and which shall be reflected in an operational plan, satisfactory to the Association, setting forth, inter alia, the activities to be carried out, the policy reforms and other measures to be implemented, the expenditures to be undertaken and the financing to be provided under such program in and for such Health and Population Sector Program during each such Fiscal Year;

(d) "Pooled Funds" means collectively the Netherlands Grant, the Swedish Grant and the DfID Grant;

(e) "Pooled Funds Accounts" means collectively the accounts established for the purposes of the Pooled Funds;

(f) "ESP" means Essential Services Package, a set of health and family planning services which provide maternal and child care interventions in reproductive health care, child health care, communicable disease control, limited curative care and behavioral change communication;

(g) "FY" and "Fiscal Year" means the fiscal year of the Borrower commencing on July 1 and ending on June 30 of the following year; and

(h) "Special Accounts" means the accounts 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 one hundred eighty-five million five hundred thousand Special Drawing Rights (SDR 185,500,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars two separate special deposit accounts (the Category 1 Special Account and the Other Categories Special Account) in Bangladesh Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2003 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such

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

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 1 and December 1 commencing December 1, 2008 and ending June 1, 2038. Each installment to and including the installment payable on June 1, 2018 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

Section 2.08. The currency of the 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, population planning, medical 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 achievement of the objectives 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 Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

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

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

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

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) The Borrower shall have failed to carry out the Health and Population Sector Program or a significant part thereof.

(b) Any of the CIDA, EC, GTZ, KfW, Netherlands, Swedish and DfID Grant Agreements shall have failed to become effective by December 31, 1999, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(c) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled 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 agreed 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 Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower;

(b) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur, subject to the proviso provided therein; and

(c) the event specified in paragraph (c) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c) (ii) of that Section.

ARTICLE VI

Termination

Section 6.01. 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 Secretary, or the Additional Secretary, or any Joint Secretary/Joint Chief, Deputy Secretary/Deputy Chief, Senior Assistant Secretary/Assistant Secretary/Assistant Chief of the Economic Relations Division of the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Economic Relations Division

Ministry of Finance
Government of the People's Republic of Bangladesh
Dhaka, Bangladesh

Cable address:

BAHIRSAMPAD
Dhaka

Telex:

642226 SETU BJ
672796 SETU BJ

For the Association:

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

Cable address:

INDEVAS
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 the District of Columbia, United States of America, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ K.M. Shehabuddin Ahmed

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mieko Nishimizu

Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit and the Pooled Funds

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit and the Pooled Funds, the allocation of the amounts of the Credit and the Pooled Funds to each Category and the percentage of expenditures for items so to be financed in each Category:

(PLEASE SEE ORIGINAL FOR TABLE, IT WAS DONE IN LANDSCAPE FORMAT)

2. For the purposes of this Schedule:

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

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

(c) the term "NGO support" means provision of resources to non-governmental organizations in order to enable them to pursue the objectives of the Project through commissioning or contracting out services pertaining thereto.

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 18,500,000, may be made out of the proceeds of the Credit on account of payments made for expenditures before that date but after July 1, 1998; and (b) in respect of a Sub-program, unless such Sub-program has been approved by the Association in accordance with, and subject to, the provisions of paragraph 2 of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Credit Account and from the Pooled Funds Accounts to be made on the basis of statements of expenditure for expenditures for goods and works under contracts costing less than \$300,000 equivalent each, and consultants' services under contracts not exceeding the equivalent of \$100,000, in the case of firms, and \$50,000 in the case of individuals, and for all training and NGO support, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to improve the health, nutrition and family welfare status of the population of Bangladesh, particularly vulnerable women, children and the poor, and to reduce mortality and slow population growth. The objectives would be achieved through a sector wide program which incorporates public sector restructuring and reform.

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: Delivery of an Essential Services Package and Other Services

1. Delivery of an Essential Services Package including Reproductive Health Care, Child Health Care, Communicable Disease Control, and limited Curative Care.
2. Provision of Hospital Services at District Hospitals, Medical College Hospitals, and Specialized Institutes.
3. Provision of other Public Health Services, including control of Environmental and Industrial/Occupational Health Hazards, Health Emergency and Preparedness measures, and control of Emerging and Re-emerging Diseases; School Health Services.
4. Carrying out of Reproductive Health programs including population education in the schools and family life education for adolescents.
5. Provision of support services for the programs of MOHFW, including Behavior Change Communication, Human Resources Development, Management Information Systems, Logistics and Procurement, Quality Assurance, Facility Construction and Maintenance, and Research and Development.
6. Provision of health and family welfare services by non-government entities.

Part B: Program Organization and Management

1. Unification of service delivery at thana level and below.
2. Reorganization of the MOHFW Secretariat.
3. Restructuring of the MOHFW Directorates.
4. Reform of the MOHFW system of financial management.
5. Improving hospital management and decentralization of the management of service delivery to district and thana levels.
6. Adoption of a pro-poor agenda, including targeting of ESP to women, children and the poorest.
7. Development of a gender strategy and integration of gender equity concerns in all program components.
8. Institutionalization of stakeholder participation in program development,

monitoring and management, and development of community program oversight.

Part C: Adoption of Health Policies

1. Review of the National Drug Policy.
2. Introduction of pilot schemes to increase cost recovery for public sector health services and to expand the coverage of health insurance.
3. Revision of the regulatory framework governing the provision of health services by the private-for-profit sector.
4. Refurbishing of hospitals to meet the needs of women and children.
5. Adoption and dissemination of a patient charter of rights.
6. Development and implementation of a framework for Borrower-NGO cooperation.

* * *

The Project is expected to be completed by June 30, 2003.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) 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 and September 1997, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines), and (b) the provisions of the following Parts of this Section 1.
2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

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 the construction of the Health and Population Bhaban shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) 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.

(c) 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

Goods estimated to cost less than \$300,000 equivalent per contract, and works estimated to cost less than \$5,000,000 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. International or National Shopping

Goods and works estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$5,000,000 and \$10,000,000 equivalent, respectively, may be procured under contracts awarded on the basis of international/national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods which must be purchased from the original supplier to be compatible with existing equipment or are of a proprietary nature may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Community Participation

Works estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$5,000,000 equivalent, may be procured in accordance with procedures acceptable to the Association.

5. Procurement from UN Agencies

Medicines, vaccines, contraceptives and medical supplies may be procured from UN agencies 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 annual procurement plan for the Project for FY 99 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. The proposed procurement plans for subsequent fiscal years shall be furnished by February 28 of each year to the Association for its review and approval. 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

(a) With respect to the first two contracts under national competitive bidding in each fiscal year for goods and works, and thereafter each contract estimated to cost the equivalent of \$300,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods procured under direct contracting or shopping procedures, prior to the execution of such contract the Borrower shall provide to the Association a copy of the specifications and the draft contract.

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

1. Consultants' services shall be procured in accordance with (a) 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 and revised in September 1997, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member

countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection Under a Fixed Budget

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Single Source Selection

Services of specialized agencies of the United Nations for procurement of vaccines and, during FY 99, other goods, 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.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines 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.

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 annual plan for the selection of consultants under the Project for FY 99 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. The proposed plans for the selection of consultants for subsequent fiscal years shall be furnished by February 28 of each year to the Association for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more or procured under single source selection, 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.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. The Borrower shall timely implement an Action Plan, satisfactory to the Association, for the carrying out of the Project.
2. The Borrower shall:
 - (a) commencing in 1999, by April 1 of each year or such other date as the Borrower and the Association may agree, until completion of the Project, carry out an annual review of the Health and Population Sector Program jointly with the Association; and
 - (b) one month prior to such review furnish to the Association: (i) a Sub-program for the following fiscal year, for approval by the Association; (ii) a report on the Program monitoring indicators; (iii) a review of the implementation of the ESP, indicating progress achieved and suggesting remedial actions, where needed; (iv) a report assessing progress in achieving the objectives of agreed gender and stakeholder strategies incorporating the results of an annual survey of clients and providers; (v) a review of NGO participation in the programs of MOHFW and the coordination between the Borrower and such NGOs; and (vi) a review of the status of inter-sectoral programs.
3. The Borrower shall promptly establish and maintain until completion of the Project a Program Coordination Cell (PCC), which shall assist MOHFW in the planning, monitoring and coordination of the Project and shall be headed by an officer with qualifications and experience satisfactory to the Association.
4. The Borrower shall carry out a plan agreed with the Association for the reorganization of MOHFW and delivery of services.
5. The Borrower shall establish, by September 30, 1998, two separate Bid Evaluation Committees for works and goods with composition and responsibilities satisfactory to the Association.
6. The Borrower shall:
 - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;
 - (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 1, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
 - (c) review with the Association, by April 1, 2001, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:
 - (a) the term "eligible Categories" means Category 1 set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of the Category 1 Special Account and Categories 2 through 5 set forth in said table in respect of the Other Categories Special Account;
 - (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 and the Pooled Funds 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 \$9,000,000 in respect of the Category 1 Special Account and an amount equivalent to \$8,000,000 in respect of the Other Categories Special Account to be withdrawn from the Credit Account and the Pooled Funds Accounts and deposited into the Special Accounts 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 \$7,000,000 in respect of the Category 1 Special Account and an amount equivalent to \$6,000,000 in respect of the Other Categories Special Account, until the Pooled Funds Accounts are provided with monies which, in the opinion of the Association, are sufficient for purposes of the Authorized Allocation.

2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

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

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and the Pooled Funds Accounts and deposit into the respective 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 respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the respective Credit Account and the Pooled Funds Accounts under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the respective 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 any 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 or the Pooled Funds Accounts in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(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 from the Pooled Funds Accounts pursuant to the provisions of the Co-Financiers' Memorandum of Understanding; and

(d) once the total unwithdrawn amount of the Credit and the Pooled Funds allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to expenditures to be financed thereunder, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account and Pooled Funds Accounts of the remaining unwithdrawn amount of the Credit and Pooled Funds 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 respective 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 any 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 respective 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 any 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 any 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 Accounts.

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

