(Population and Family Planning Project)  

between  

THE INDEPENDENT STATE OF PAPUA NEW GUINEA  

and  

INTERNATIONAL BANK FOR RECONSTRUCTION 
AND DEVELOPMENT  

Dated July 1st, 1993  

AGREEMENT, dated July 1st, 1993, between THE INDEPENDENT STATE OF PAPUA NEW GUINEA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).  

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 Bank to assist in the financing of the Project;  

(B) the Borrower intends to contract from the Asian Development Bank (ADB) a loan (the ADB Loan) in an amount equivalent to $7,100,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the ADB Loan Agreement) to be entered into between the Borrower and ADB;  

(C) the Borrower intends to contract from the Australian International Development Assistance Bureau (AIDAB) a grant (the AIDAB Grant) in an amount not less than Australian dollars A$15,200,000, to assist in financing the Project on the terms and conditions set forth in a Memorandum (the AIDAB Memorandum of Understandings) to be entered into between the Borrower and AIDAB;
WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan 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 Loan and Guarantee Agreements" of the Bank, 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) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank’s Articles of Agreement."

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

(a) "DFP" means the Borrower’s Department of Finance and Planning;
(b) "FP" means family planning;
(c) "Kina" means the currency of the Borrower;
(d) "MCH" means maternal and child health;
(e) "NDOH" means the Borrower’s National Department of Health;
(f) "NGO" means a non-government organization;
(g) "Population Planning Unit" means the Unit established within the Borrower’s Social Planning Division of the Department of Finance and Planning;
(h) "Project Implementation Unit" means the Unit established within the Borrower’s Department of Health;
(i) "STD" means sexually transmitted disease; and
(j) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II
The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, various currencies that shall have an aggregate value equivalent to the amount of six million nine hundred thousand dollars ($6,900,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.
Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank 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 Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in kina a special deposit account in Bank of Papua New Guinea on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1999, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank’s investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months’ notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates
applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

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, engineering, public health, and family planning 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 Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank 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 Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Borrower may provide for exemption of payment of income and other taxes any duties levied under its laws on consultants engaged under the Project, and taxes and duties levied under its laws on the procurement of goods and services under the Project; and in the absence of proving for such exemption, shall finance these taxes and duties.

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 Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than nine 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 Bank shall have reasonably requested; and

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

(c) For all expenditures with respect to which withdrawals
from the Loan 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 Bank
has received the audit report for the fiscal year
in which the last withdrawal from the Loan
Account or payment out of the Special Account was
made, all records (contracts, orders, invoices,
bills, receipts and other documents) evidencing
such expenditures;

(iii) enable the Bank’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 Bank

Section 5.01. Pursuant to Section 6.02 (l) of the General
Conditions, the following additional event is specified, namely
that:

(a) subject to paragraph (b) of this Section:

(i) the right of the Borrower to withdraw the
proceeds of the ADB Loan or the AIDAB Grant shall
have been suspended, canceled or terminated in
whole or in part, pursuant to the terms thereof,
or

(ii) the ADB Loan shall have become due and payable
prior to the agreed maturity thereof.

(b) Paragraph (a) of this Section shall not apply if the
Borrower establishes to the satisfaction of the Bank that: (i) such
suspension, cancellation, termination or prematuring is not caused
by the failure of the Borrower to perform any of its obligations
under the ADB Loan Agreement or the AIDAB Memorandum of
Understanding; and (ii) 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 (h) of the General
Conditions, the following additional event is specified, namely that
the event specified in Section 5.01 (a) (ii) of this Agreement shall
occur, subject to the proviso of subsection (b) of said Section.
ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) all conditions precedent to the effectiveness of the ADB Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement;

(b) all conditions precedent to the effectiveness of the AIDAB Memorandum of Understanding have been fulfilled, other than those related to the effectiveness of this Agreement;

(c) the Borrower has employed the staff and consultants referred to in paragraphs 1 and 2 of Schedule 5 to this Agreement; and

(d) the Borrower has issued an administrative order to the National Capital District and the Provinces of East New Britain, Eastern Highlands, Morobe, Southern Highlands and Western Highlands authorizing them to establish in their respective budgets a separate budget line item for MCH/FP activities conducted under their jurisdiction.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister for Finance and Planning 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:

Department of Finance and Planning
Vulupindi Haus
Post Office Wards Strip
Waigani, N.C.D.
Papua New Guinea

Cable address: TREASURER
Telex: NE 22218

Boroko

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INTBAFRAD
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 respective names in the District of Columbia, United
States of America, as of the day and year first above written.

THE INDEPENDENT STATE OF PAPUA NEW GUINEA

By /s/ Margaret Taylor
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Burki
Acting Regional Vice President
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works under Part A.1 and Part B.4 (a) of the Project</td>
<td>3,100,000</td>
<td>90%</td>
</tr>
<tr>
<td>(2) Equipment, furniture, and vehicles under Part A.2 and Part B.4 (a) of the Project</td>
<td>800,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(3) Contraceptives and STD drugs under Part B.1 (b) of the Project</td>
<td>1,000,000</td>
<td>26%</td>
</tr>
<tr>
<td>(4) Consultants’ services, training, and studies under Part A.3 (d), Part A.5, Part B.4 (b), (c) and (d), and Part B.6 (c) of the Project</td>
<td>1,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>6,900,000</td>
<td></td>
</tr>
</tbody>
</table>

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 in the Provinces of East New Britain, Eastern Highlands, Morobe, Southern Highlands or Western Highlands, or in the National Capital District until that Province or District has entered into an agreement with the Borrower which is satisfactory to the Bank concerning implementation of the Project in that Province or District.

SCHEDULE 2

Description of the Project

The objectives of the Project are to develop the Borrower's institutional capacity to foster and manage a comprehensive population program, deliver effective family planning services, generate a greater demand for family planning, and mobilize public awareness and support for the program through governmental and non-governmental channels.

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

Part A: Provincial Family Planning Service Delivery

1. Construction, renovation and extension of MCH/FP clinics in East New Britain, Eastern Highlands, Morobe, Southern Highlands, Western Highlands and the National Capital District; construction of office space for FP coordinators where required; and construction of facilities for in-service training in the provinces of Morobe and Southern Highlands.

2. Provision of equipment for FP services in health facilities, including surgical contraception equipment for hospitals, training and office equipment, and provision of vehicles for the MCH/FP outreach programs.

3. Provision of: (a) management development training for FP coordinators and staff with program responsibilities, including preparation of a reference manual of management procedures and visits to provincial and field levels for supervision; (b) training for trainers of family planning; (c) in-service training, including short overseas visits, of health workers at all levels, and seminars on family planning for community leaders; and (d) overseas training for doctors and senior nurses in clinical and management aspects of family planning, and a short certificate course in family planning for doctors.

4. Provision of technical assistance for improvement and expansion of in-service training capacity, including distance learning, for health workers at the national and provincial levels, strengthening of provincial family planning management capacity and improvement of the MCH/FP component of the health information system.

5. Provision of technical assistance for: (a) the development of the program of clinical training in family planning at the Department of Clinical Science of the Faculty of Medicine of the University of PNG; (b) the carrying out of an annual program of seminars in family planning for doctors and senior nurses; and (c) the development of a short certificate course in FP for doctors.
Part B: Program Support

1. Contraceptive/Pharmaceutical Supply and Logistic System
   (a) Renovation of the area medical store at Rabaul and renovation and expansion of the area medical store at Mt. Hagen.
   (b) Provision of contraceptives and STD-related drugs.
   (c) Provision of equipment for storage and handling of drugs and contraceptives.
   (d) Provision of in-service training of pharmaceutical dispensers, and overseas training and fellowships for senior managers of the Pharmaceutical Services Section in drug management and procurement.
   (e) Provision of technical assistance for: (a) strengthening of staff and supplies management at the Pharmaceutical Services Section of the National Department of Health, and (b) improvement of computer skills and development of an information system at area medical stores and the Pharmaceutical Services Section of the National Department of Health.
   (f) Pre-packaging and transportation of supplies from area medical stores to health facilities, and supervision and monitoring of the usage of supplies.

2. Support for Non-Government Organizations
   (a) Carrying out of field activities by NGOs for the purpose of increasing awareness and advocacy of family planning at the community level, community based distribution of contraceptives and provision of services.
   (b) Construction of a new facility for the Council of Women in the province of Western Highlands.
   (c) Provision of training to staff of the Women’s Division of the Department of Religion, Home Affairs and Youth, and to trainers in the Training Section of the Division of Women’s Affairs.
   (d) Provision of technical assistance to NGOs for identification and implementation of field activities and for training in project management, accounting and report preparation.

3. Promotion of Health and Family Planning
   (a) Establishment of the Health Promotion Center within the National Department of Health, and construction of facilities for the Center.
   (b) Provision of equipment for the Health Promotion Center.
   (c) Preparation and distribution of print, video, radio, and television messages for promotion of health and family planning at the national and provincial levels; conducting workshops; and monitoring of campaign effectiveness.

4. Population and Family Planning Research
   (a) Construction of staff houses, and acquisition of computers and related equipment for the University of PNG.
   (b) Provision of fellowships and training for staff and teaching fellows in the field of population studies at the University of PNG.
   (c) Provision of technical assistance to the PNG Institute of Medical Research, and to the Department of Community Medicine and the Population Studies Program of the University of PNG.
(d) Carrying out of studies in the areas of population research.

5. Demographic Data Collection and Utilization

(a) Provision of training and fellowships for staff of the National Statistical Office and provincial statistical staff.

(b) Carrying out of a demographic and health sample survey and provision of technical assistance and training to the National Statistical Office.

(c) Provision of technical assistance for the establishment of a pilot provincial data system/civil registration in the Province of East New Britain, and acquisition of related equipment.

6. Project Monitoring, Evaluation, Management, and Implementation

(a) Provision of office equipment, furniture and vehicles for the Population Planning Unit and the Project Implementation Unit.

(b) Provision of training including overseas visits, for the staff of the Population Planning Unit and the Project Implementation Unit.

(c) Provision of technical assistance for project management and implementation, and monitoring and evaluation.

(d) Carrying out of research studies on population and family planning issues.

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The Project is expected to be completed by June 30, 1998.

SCHEDULE 3

Amortization Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Payment of Principal (expressed in dollars)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 15, 1998</td>
<td>130,000</td>
</tr>
<tr>
<td>April 15, 1999</td>
<td>135,000</td>
</tr>
<tr>
<td>October 15, 1999</td>
<td>140,000</td>
</tr>
<tr>
<td>April 15, 2000</td>
<td>145,000</td>
</tr>
<tr>
<td>October 15, 2000</td>
<td>150,000</td>
</tr>
<tr>
<td>April 15, 2001</td>
<td>155,000</td>
</tr>
<tr>
<td>October 15, 2001</td>
<td>160,000</td>
</tr>
<tr>
<td>April 15, 2002</td>
<td>165,000</td>
</tr>
<tr>
<td>October 15, 2002</td>
<td>175,000</td>
</tr>
<tr>
<td>April 15, 2003</td>
<td>180,000</td>
</tr>
<tr>
<td>October 15, 2003</td>
<td>185,000</td>
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<tr>
<td>April 15, 2004</td>
<td>195,000</td>
</tr>
<tr>
<td>October 15, 2004</td>
<td>200,000</td>
</tr>
<tr>
<td>April 15, 2005</td>
<td>205,000</td>
</tr>
<tr>
<td>October 15, 2005</td>
<td>215,000</td>
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<tr>
<td>April 15, 2006</td>
<td>225,000</td>
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<tr>
<td>October 15, 2006</td>
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<td>April 15, 2007</td>
<td>240,000</td>
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<td>October 15, 2007</td>
<td>250,000</td>
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<tr>
<td>April 15, 2008</td>
<td>260,000</td>
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<td>October 15, 2008</td>
<td>270,000</td>
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<tr>
<td>April 15, 2009</td>
<td>280,000</td>
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<tr>
<td>October 15, 2009</td>
<td>290,000</td>
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<tr>
<td>April 15, 2010</td>
<td>300,000</td>
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<tr>
<td>October 15, 2010</td>
<td>310,000</td>
</tr>
<tr>
<td>April 15, 2011</td>
<td>320,000</td>
</tr>
<tr>
<td>October 15, 2011</td>
<td>335,000</td>
</tr>
</tbody>
</table>
The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

<table>
<thead>
<tr>
<th>Time of Prepayment</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not more than three years before maturity</td>
<td>0.15</td>
</tr>
<tr>
<td>More than three years but not more than six years before maturity</td>
<td>0.30</td>
</tr>
<tr>
<td>More than six years but not more than 11 years before maturity</td>
<td>0.55</td>
</tr>
<tr>
<td>More than 11 years but not more than 16 years before maturity</td>
<td>0.80</td>
</tr>
<tr>
<td>More than 16 years but not more than 18 years before maturity</td>
<td>0.90</td>
</tr>
<tr>
<td>More than 18 years before maturity</td>
<td>1.00</td>
</tr>
</tbody>
</table>

SCHEDULE 4

Section I. Procurement and Consultants’ Services

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, contraceptives and STD related antibiotics 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 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.
2. To the extent practicable, contracts for contraceptives and STD related drugs shall be grouped into bid packages estimated to cost the equivalent of $100,000 or more.

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 Papua New Guinea 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: Other Procurement Procedures

1. Except as provided in paragraphs 2 and 3 below, civil works shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Civil works estimated to cost less than the equivalent of $50,000 per contract, up to an aggregate amount equivalent to $1,000,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three contractors eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Civil works in remote areas for renovation and extension of district health/FP centers estimated to cost $40,000 or less per contract, may be carried out by force account up to an aggregate amount of not more than $500,000.

4. Except as provided in paragraphs 5 and 8 below, equipment and vehicles shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

5. Equipment estimated to cost the equivalent of $50,000 or less per contract, up to an aggregate amount equivalent to $100,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

6. Furniture shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

7. Contracts for computer software and books shall be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Bank.

8. Small medical equipment and health kits for health centers and hospitals, up to an aggregate amount equivalent to $300,000, may be procured through UNICEF/UNFPA, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:
   
   (a) With respect to each contract for goods and works 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 Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank 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, said 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 Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

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

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out Parts A.5, B.4 (c) and B.6 (c) of the Project, the Borrower shall employ the consultants referred to in Section 6.01 (d) (i) and (iii) of this Agreement and in paragraph 2 (a) and (c) of Schedule 5 to this Agreement, with qualifications, experience and terms and conditions of employment which shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank 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 (the Consultant Guidelines).

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 contracts estimated to cost less than $100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank and to amendments of contracts raising the contract value to $100,000 equivalent or above.

SCHEDULE 5

Implementation Program

1. The Borrower shall employ the following consultants to assist in the carrying out of the Project:

   (i) a senior project advisor, DFP;

   (ii) a health promotion specialist, NDOH; and

   (iii) a non-government organization program facilitator, Department of Home Affairs and Youth.

2. The Borrower shall employ the following staff:

   (i) a senior project coordinator at the Project Implementation Unit, NDOH;

   (ii) a national coordinator of MCH/FP training, NDOH;

   (iii) a family planning coordinator in the Province of East New Britain;

   (iv) a family planning coordinator in the Province of Eastern Highlands;

   (v) a family planning coordinator in the Province of Morobe; and

   (vi) a family planning coordinator in the Province of
3. In carrying out the Project, the Borrower shall:

(a) not later than September 1, 1993, employ the following staff:

(i) a communication research officer at the Health Promotion Center, NDOH;

(ii) a multi-media materials production officer at the Health Promotion Center, NDOH;

(iii) a MCH/FP communications officer at the Health Promotion Center, NDOH;

(iv) an information retrieval/dissemination officer at the Health Promotion Center, NDOH;

(v) a computer keyboard operator at the Health Promotion Center, NDOH;

(vi) an accountant at the Population Planning Unit, DFP; and

(vii) a keyboard operator at the Population Planning Unit, DFP.

(b) not later than January 1, 1994, employ a family planning supervisor in the National Capital District and a family planning counsellor in East New Britain;

(c) not later than April 1, 1994, employ the following staff:

(i) a pharmacist at the Pharmaceutical Services Section, NDOH;

(ii) a procurement officer at the Pharmaceutical Services Section, NDOH;

(iii) a data entry clerk in the Province of East New Britain;

(iv) an accounts clerk in the Province of Eastern Highlands;

(v) a logistics officer in the Province of Morobe; and

(vi) a logistics clerk in the Province of Southern Highlands.

(d) not later than July 1, 1994, employ an assistant social scientist at the Institute of Medical Research at Goroka;

(e) not later than January 1, 1995, employ a MCH/FP supervisor at Tari in the Province of Southern Highlands;

(f) not later than January 1, 1996, employ a family planning supervisor in the National Capital District; and

(g) not later than January 1, 1997, employ a MCH/FP supervisor at Ialibu in the Province of Southern Highlands.

4. In carrying out the Project, the Borrower shall:

(a) not later than January 1, 1994, employ a consultant as Director Family Planning, Department of Clinical Sciences, University of PNG;

(b) not later than April 1, 1994, employ a consultant as Pharmaceutical Supply System Specialist, Pharmaceutical Services Section, NDOH; and

(c) not later than July 1, 1994, employ a consultant as Population/Family Planning Specialist in Curriculum Development,
Department of Clinical Sciences, University of PNG.

5. The Borrower shall, not later than January 31, 1996, carry out, in consultation with the Bank, a review of the implementation of the Project, and, thereafter, promptly take any action required by the results of the review.

6. The Borrower shall employ, and thereafter, maintain, qualified staff in adequate numbers:

   (a) at the National Department of Health and Provincial Divisions of Health for implementation of the improved family planning programs;

   (b) at the Pharmaceutical Services Section for preparation of technical specifications, drug quantification, bid evaluation, delivery scheduling and quality control;

   (c) at the National Department of Health’s Health Promotion Center for implementation of the health and family planning promotion program; and

   (d) at the Institute of Medical Research at Goroka, Eastern Highlands.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

   (a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

   (b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan 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 $500,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 Bank 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 Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in 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 Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

   (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank 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 Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank 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 Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank 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 Bank 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 Bank, refund to the Bank such outstanding amount.

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

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