

CONFORMED COPY

LOAN NUMBER 3550 IND

(Third Community Health and Nutrition Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated January 21, 1993

LOAN NUMBER 3550 IND

LOAN AGREEMENT

AGREEMENT, dated January 21, 1993, between REPUBLIC OF INDONESIA (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; and

(B) the Borrower intends to contract from Kreditanstalt fur Wiederaufbau (KfW) a grant (the KfW Grant) in an amount of thirty million Deutsche Mark (DM 30,000,000) to assist in financing the Project, on a parallel basis, on the terms and conditions set forth in an agreement (the KfW Grant Agreement) to be entered into between the Borrower and KfW; and

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) "Fiscal Year" means the Borrower's fiscal year commencing April 1 and ending March 31;
- (b) "Indigenous People" means social groups in isolated areas who identify themselves and are identified by others as members of a distinct cultural group and whose production is primarily subsistence-oriented;
- (c) "Kabupaten" means an administrative sub-division of a province;
- (d) "MOH" means the Borrower's Ministry of Health;
- (e) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and
- (f) "Project Provinces" means the Borrower's Provinces of Irian Jaya, Maluku, East Nusa Tenggara, West Java, and Central Java.

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 ninety three million five hundred thousand dollars (\$93,500,000), 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 United States Dollars a special deposit account in Bank Indonesia 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 September 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 March 15 and September 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 through its Ministry of Health with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, engineering, public health and nutritional 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.

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 (1) of the General Conditions, the following additional event is specified, namely that:

(a) subject to paragraph (b) of this Section, the right of the Borrower to withdraw the proceeds of the KfW Grant shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the KfW Grant Agreement.

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Bank that: (i) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under the KfW Grant Agreement; 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.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that all conditions precedent to the effectiveness of the KfW Grant Agreement have been fulfilled, other than those related to the effectiveness of this Agreement.

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of 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:

Ministry of Finance
c/o Directorate General of Budget
Jalan Lapangan Banteng Timur 2-4
P.O. Box 139
Jakarta, Indonesia

Cable address:

Telex:

FINMINISTRY
Jakarta

45799 DJMLN-IA
44319 DEPKEU-IA

For the Bank:

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

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

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.

REPUBLIC OF INDONESIA

By /s/ Abdul Rachman Ramly
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Gautam Kaji
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:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works under Parts A.II.1, B.I.1 and C.3 of the Project	10,800,000	90%
(2) Equipment (except vehicles), boats, and medical supplies	6,900,000	100% of foreign expenditures, 100% of local expenditures

			(ex-factory cost) and 65% of local expenditures for other items procured locally
(3)	Instructional materials	2,400,000	70%
(4)	Consultants' services, research and studies	22,900,000	100%
(5)	Fellowships	22,100,000	100%
(6)	Workshops and local training	19,900,000	70%
(7)	Project Management	5,400,000	100%
(8)	Unallocated	3,100,000	
	TOTAL	93,500,000	

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;

(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 "Project Management" means expenditures for local travel and honoraria for central, provincial and Kabupaten level Project management staff, and for community health workers, and expenditures for minor office supplies.

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.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to enhance the level of infant, child and maternal health status in the Project Provinces by, inter alia: (i) developing the provincial and Kabupaten level capacity to plan, implement and evaluate safe motherhood, child survival and nutrition programs, including health and nutrition education and health information systems; (ii) establishing flexibility in the management of resources at the Borrower's central, provincial and Kabupaten levels aimed at achieving greater specificity and effectiveness in health and nutrition programs; and (iii) strengthening the capacity of the Directorate General of Community Health of the Borrower's Ministry of Health to effectively provide support to the provincial and Kabupaten efforts in these areas.

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 Service Delivery and Capacity Building

I. Service Delivery in Project Provinces

1. Construction and rehabilitation of health centers, health sub-centers, and staff housing, and provision of medical and non-medical equipment, furniture and vehicles.
2. Carrying out of studies, including surveys and assessments, for the development of service delivery strategies, the development of safe motherhood and child survival and nutrition programs, and for health and nutrition education strategy design.
3. Provision of training in safe motherhood, child health, and nutrition service delivery programs for health providers and community health workers, including Indigenous People beneficiaries of the Project.
4. Provision of drugs to health centers, health sub-centers and community service posts, and strengthening of the management, distribution and use of drugs.
5. Carrying out of workshops for health administrators on the coordination of new service delivery strategies.

II. Capacity Building in Project Provinces

1. Construction and rehabilitation of facilities for provincial health offices, nursing/paramedic multi-stream academies, nursing and midwifery schools, and provincial level training centers, and provision of instructional materials, equipment, furniture and vehicles.
2. Provision of technical assistance to provincial and Kabupaten health offices in health planning and Project management and organization.
3. Provision of technical assistance to the Non-Governmental Organizations Coordination Board in Irian Jaya to strengthen the administrative capacity of such Board in providing a forum for regular consultations among non-governmental organizations on community health and nutrition programs, including methods to promote the interests of Indigenous People.
4. Provision of management and administration training for local non-governmental organizations providing community health and nutrition services, including those providing such services to Indigenous People in the Project Provinces.
5. Provision of local and overseas fellowships for provincial and Kabupaten health offices staff, health centers staff and Indigenous People beneficiaries of the Project, in public health, nutrition and health education disciplines.
6. Provision of training, including carrying out of workshops, on annual planning, monitoring and evaluation of Project implementation for provincial, Kabupaten and health centers staff.
7. Carrying out of studies on maternal, child health, and nutrition status, and assessment of the coverage, efficiency and effectiveness of health and nutrition services.

Part B: Central Support and Capacity Building

I. Directorate General of Community Health

1. Construction of a training center in East Java for the use of radio communication in health management and referrals.
2. Provision of instructional materials, equipment, furniture and vehicles.
3. Provision of technical assistance for Project implementation, and development and evaluation of safe motherhood, child health and nutrition programs.

4. Carrying out of workshops on Project management, use of radio communications, quality assurance systems, and technical aspects of community health and nutrition programs.

5. Carrying out of studies on: community health and nutrition services; role of health centers, health sub-centers and community service posts; referral systems; and need assessments of health service providers.

6. Provision of local and overseas fellowships in nursing, midwifery, public health, and nutrition disciplines.

7. Provision of local and overseas fellowships and training in support of longitudinal surveillance for provincial and Kabupaten health staff and faculty members of the Schools of Public Health; provision of technical assistance for the development of longitudinal surveillance sites; and provision of related equipment and vehicles to longitudinal surveillance sites.

II. Center for Health Education

1. Provision of instructional materials, equipment and vehicles.

2. Carrying out of workshops in Project planning, adaptation of media packages, and training methods.

3. Provision of technical assistance for design, preparation and production of media packages, and for evaluative research.

4. Provision of local and overseas fellowships in health and nutrition education.

III. Center for Health Information

1. Provision of equipment, materials and vehicles.

2. Provision of technical assistance in system simplification, design and development, and carrying out of related workshops and training.

3. Provision of local and overseas fellowships in biostatistics, epidemiology, research methods, and information systems design.

Part C: Central Manpower Support

Strengthening the quality and relevance of the research and training activities at the following higher education institutions: the Schools of Public Health (Universitas Diponegoro, Universitas Erlangga, Universitas Indonesia and Universitas Hasanudin), the Center for Education and Training of Health Personnel, the Center for Education of Health Manpower (including Academy Gizi), and the Center for Community Nutrition and Family Resources at the Institute of Agriculture at Bogor, including:

1. Provision of local and overseas fellowships, field training and internships in public health and nutrition for faculty members and research staff.

2. Provision of technical assistance for the strengthening of multi-stream training programs in Irian Jaya and Nusa Tenggara Timur, and for the strengthening of the safe motherhood, child health and nutrition program content in such institutions.

3. Construction and rehabilitation of facilities and training centers and provision of instructional materials, equipment and furniture.

4. Carrying out of health manpower policy studies relating to: the role and function of doctors on contract, deployment of village midwives, evaluation of health staff career paths, Kabupaten health managers, and health center managers.

* * *

The Project is expected to be completed by March 31, 1999.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
September 15, 1998	1,725,000
March 15, 1999	1,790,000
September 15, 1999	1,855,000
March 15, 2000	1,930,000
September 15, 2000	2,000,000
March 15, 2001	2,075,000
September 15, 2001	2,155,000
March 15, 2002	2,240,000
September 15, 2002	2,325,000
March 15, 2003	2,410,000
September 15, 2003	2,505,000
March 15, 2004	2,600,000
September 15, 2004	2,695,000
March 15, 2005	2,800,000
September 15, 2005	2,905,000
March 15, 2006	3,015,000
September 15, 2006	3,130,000
March 15, 2007	3,250,000
September 15, 2007	3,375,000
March 15, 2008	3,500,000
September 15, 2008	3,635,000
March 15, 2009	3,770,000
September 15, 2009	3,915,000
March 15, 2010	4,065,000
September 15, 2010	4,220,000
March 15, 2011	4,380,000
September 15, 2011	4,545,000
March 15, 2012	4,720,000
September 15, 2012	4,895,000
March 15, 2013	5,075,000

*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:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years	0.30

before maturity	
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods 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).

2. To the extent practicable, contracts for equipment and medical supplies shall be grouped into bid packages estimated to cost the equivalent of \$200,000 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 Indonesia 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 hereof, 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 \$100,000 equivalent per contract, up to an aggregate amount of \$500,000 equivalent, 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.

3. Civil works in remote areas estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount of \$500,000 equivalent, may be procured through direct contracting, in accordance with procedures acceptable to the Bank.

4. Equipment and medical supplies estimated to cost less than \$200,000 per contract, up to an aggregate amount equivalent to \$3,500,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

5. Equipment and medical supplies estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount equivalent to \$2,000,000, 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. Instructional materials and printing services may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

7. Instructional materials which are readily available in printed form, such as standard medical forms, books and teaching materials, 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 suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank, or may be awarded after direct negotiations with suppliers, 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 \$200,000 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.

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 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.

SCHEDULE 5

Implementation Program

1. The Borrower shall maintain until completion of the Project:

(a) a Project Director, who shall be the Director General of Community Health of MOH, and shall be responsible for overall Project implementation; and

(b) a Project Manager, who shall be responsible for the day-

to-day implementation of the Project, including technical and administrative aspects.

2. To facilitate inter-program consultation and coordination in Project implementation and monitoring, the Borrower shall maintain within MOH, until completion of the Project, the Project Steering Committee, chaired by the Project Manager, and including representatives of BAPPENAS and of the following offices of MOH: the Directorate General of Communicable Disease Control and Environmental Health, the Secretariat General, the Directorate General of Medical Services, the Directorate General of Food and Drug, and the National Institute of Health Research and Development.

3. To coordinate the various activities under the Project, the Borrower shall maintain within MOH, until completion of the Project, the Project Secretariat with qualified staff in adequate numbers, including an Executive Secretary, a Planning, Monitoring and Evaluation Officer, a Finance Officer, and a Procurement Officer.

4. To provide advice on planning, development and implementation of the various activities under the Project, the Borrower shall, by July 31, 1993, establish and thereafter maintain within MOH, until completion of the Project, a Management Advisory Group with qualified staff in adequate numbers, including a Community Health Advisor and a Project Implementation Specialist, acceptable to the Bank.

5. The Borrower shall, by July 31, 1993, furnish to the Bank a plan, satisfactory to the Bank, for the monitoring and evaluation of the Project, including:

(a) the methodology for the application of the Borrower's National Economic and Social Survey in the evaluation of Project; and

(b) the procedures for ensuring the effective monitoring and evaluation of the realization of the benefits of the Project in regard to Indigenous People in the Project Provinces.

6. The Borrower shall, by April 15 of the Fiscal Year in which Project activities commence in a Kabupaten, commencing April 15, 1994, strengthen the planning, monitoring and evaluation capacity of such Kabupaten, including, if required, appointing a qualified monitoring and evaluation officer to the Kabupaten Health Office.

7. The Borrower shall, by August 31, 1993, prepare and furnish to the Bank, for its approval, procedures and timetables for establishing annual research program priorities under the Project, and, thereafter, carry out such research programs in accordance with the approved procedures and timetables.

8. By September 15 of each year, commencing on September 15, 1994, the Borrower shall, or shall cause the provincial planning units of the Project Provinces to, prepare and furnish to the Bank, for its review and comments, annual implementation Project progress reports, such progress reports to be prepared in consultation with the Project Secretariat.

9. The Borrower shall cause each Project Province and Kabupaten to prepare and furnish to the Bank, for its review and comments, by September 15 in each year, commencing on September 15, 1993, annual detailed plans for implementation of Project activities, such plans to include:

(a) if relevant, innovative activities for improvement of the quality and effectiveness of community health and nutrition programs, including evaluation criteria for such innovative activities;

(b) the recommendations, agreed by the Borrower and the Bank, of anthropological and ethnographic studies carried out in the Project Provinces inhabited by Indigenous People; and

(c) measures, satisfactory to the Bank, to ensure that governmental agencies and non-governmental organizations engaged in the delivery of community health and nutrition services to Indigenous People take into full consideration the preferences of Indigenous People beneficiaries of the Project identified through the Borrower's existing consultation mechanisms as set forth in Minister of Home Affairs Decree No. 9 of 1982 relating to guidance for planning, evaluation and monitoring of development programs at the local level.

10. In carrying out Part B.III.1 of the Project, the Borrower shall, before proceeding with the procurement of equipment, cause the Center for Health Information within MOH to carry out and furnish to the Bank a feasibility study on employing sample registration techniques at the Kabupaten and health center levels to measure health outcome; to review and revise as necessary the Health Center Reporting Forms (SP2TP); and to design and test a manual form of the new reporting system.

11. The Borrower shall:

(a) by September 15, 1994, prepare and furnish to the Bank for its approval a plan for carrying out a mid-term Project review;

(b) by June 15, 1996, carry out, in consultation with the Bank, a mid-term Project review pursuant to such approved plan; and

(c) thereafter, promptly take all such actions recommended as a result of such mid-term review and which are required to achieve the objectives of the Project.

12. The Borrower undertakes to acquire the boats and vehicles required for Project implementation in accordance with the schedule and timetable agreed with the Bank.

SCHEDULE 6

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 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 \$6,000,000 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.

