

CONFORMED COPY

CREDIT NUMBER 2808 VN

Development Credit Agreement

(National Health Support Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 26, 1996

CREDIT NUMBER 2808 VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 26, 1996, between SOCIALIST REPUBLIC OF VIET NAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower intends to contract from the Swedish International Development Cooperation Agency (SIDA) a grant (the SIDA Grant) in an amount equivalent to four million seven hundred thousand dollars (\$4,700,000) to assist in financing Part C of the Project on the terms and conditions set forth in an agreement (the SIDA Grant Agreement) to be entered into between the Government of the Borrower and SIDA;

(C) the Borrower intends to contract from the Government of the Netherlands a grant (the Netherlands Grant) in an amount of seven million one hundred sixty eight thousand Dutch Guilders (Dfl 7,168,000) to assist in financing Part A (iii) of the Project on the terms and conditions set forth in an agreement (the Netherlands Grant Agreement) to be entered into between the Government of the Borrower and the Government of the Netherlands;

WHEREAS the Association has agreed, on the basis, inter

alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

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

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made; (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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

(a) "Local Governments of the Project Provinces" means the Provincial Peoples' Committees of the Project Provinces;

(b) "MOF" means the Borrower's Ministry of Finance, and any successor thereto.

(c) "MOH" means the Borrower's Ministry of Health, and any successor thereto.

(d) "MPI" means the Borrower's Ministry of Planning and Investment, and any successor thereto.

(e) "NCPFP" means the Borrower's National Committee for Population and Family Planning, and any successor thereto.

(f) "Project Provinces" means the provinces listed in the Annex to Schedule 2 to this Agreement.

(g) "State Bank of Viet Nam" and the acronym "SBV" mean the Borrower's central bank, and any successor thereto.

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

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to sixty eight million Special Drawing Rights (SDR 68,000,000).

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 a special deposit account in a commercial bank acceptable to the Association, and on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 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 January 1 and July 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 1 and July 1 commencing July 1, 2006 and ending January 1, 2036. Each installment to and including the installment payable on, January 1, 2016 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the

development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

#### ARTICLE III

##### Execution of the Project

Section 3.01. (a) The Borrower 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 MOH and the Local Governments of the Project Provinces with due diligence and efficiency and in conformity with appropriate economic, financial, administrative, technical and health care 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 provisions 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 designed to ensure the continued achievement of the Project's objectives; 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 and of the Local Governments of the Project Provinces responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than nine (9) months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

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

#### ARTICLE V

##### Remedies of the Association

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

(a) (i) The SIDA Grant Agreement shall have failed to become effective by June 30, 1996, or (ii) the Netherlands Grant Agreement shall have failed to become effective by June 30, 1996, or such later dates 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.

(b) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the SIDA Grant or the Netherlands Grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the SIDA Agreement, or the Netherlands Grant Agreement, as the case may be.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower established to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreements; 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.

## ARTICLE VI

### Effective Date; Termination

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

- (a) the Project Steering Committee shall have been established in accordance with the provisions referred to in paragraph A.1 of Schedule 4 to this Agreement;
- (b) the Project Management Unit shall have been established in accordance with the provisions referred to in paragraph A.2 of Schedule 4 to this Agreement; and
- (c) the Provincial Project Implementation Unit for each of the Project Provinces shall have been established in accordance with the provisions of paragraph A.3 of Schedule 4 to 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 Governor of the State Bank of Viet Nam 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:

State Bank of Viet Nam  
49 Ly Thai To Street  
Hanoi  
Socialist Republic of Viet Nam

Cable address:

Telex:

VIETBANK  
Hanoi

412248 NHTWVT

For the Association:

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

Cable address:

Telex:

INDEVAS  
Washington, D.C.

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

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.

SOCIALIST REPUBLIC OF VIET NAM

By /s/ Le Van Bang

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Russell J. Cheetham

Regional Vice President  
East Asia and Pacific

#### SCHEDULE 1

#### Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works	12,700,000	90%
(2) Goods	49,130,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 85% of local expenditures for other items procured locally
(3) Consultants' services and training	2,090,000	100%

(4) Program support	2,220,000	70%
(5) Unallocated	1,860,000	
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TOTAL	68,000,000	=====

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 "Program support" means expenditures incurred by the Project Management Unit in MOH, the Borrower's National Institute of Malariology, Parasitology and Entomology, and the Borrower's National Institute of Tuberculosis and Respiratory Diseases, on account of travel accommodation, office supplies and communication expenses related to the implementation of the Project.

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.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$150,000 equivalent; (b) works under contracts costing less than \$150,000 equivalent; (c) services provided by consulting firms under contracts costing less than \$100,000 equivalent; (d) services provided by individual consultants under contracts costing less than \$50,000 equivalent; and (e) training and Program support; all under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Borrower in improving the health status of the rural population in the poorer areas of Viet Nam by (i) providing high quality, reliable primary health care on a sustainable basis; (ii) reducing mortality and morbidity due to malaria, tuberculosis and acute respiratory infections; and (iii) strengthening the institutional capacity of MOH and provincial health departments to meet the basic health care needs of the poor.

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. Health Care Service Delivery

Upgrading primary health care service delivery capacity in the Project Provinces of Viet Nam by upgrading the facilities and services provided by commune health centers and district health centers, through: (i) provision of essential drugs and equipment; (ii) renovation, expansion or replacement of physical premises; and (iii) provision of in-service training of staff.

#### Part B. National Health Care Program Assistance



Strengthening the Borrower's national programs for malaria, tuberculosis and acute respiratory infections through the provision of: (i) drugs, (ii) insecticides, (iii) equipment, (iv) vehicles, (v) training and (vi) expert advice.

Part C. Institutional Health Planning and Management

1. Strengthening the planning and management of public expenditures for the health sector by: (a) upgrading the budgeting, accounting and operational reporting systems of MOH and selected MOH hospitals, institutes and provincial health departments in the Project Provinces; and (b) preparing a public investment plan for the health sector, in each case through the provision of equipment, expert advice and training.

2. Improving the capacity of the Borrower to mobilize private financing for health care services, including: (a) strengthening the system of setting, charging and collecting fees for publicly provided health services; and (b) developing proposals for the expansion of the private provision of health services, in each case through the provision of expert advice, the carrying out of studies and training.

3. Generating population-based household data and analysis for health sector planning and management by designing and implementing a national household health and medical provider survey and analyzing and disseminating the results thereof, through the provision of expert services and training.

\* \* \* \*

The Project is expected to be completed by March 31, 2003.

ANNEX TO SCHEDULE 2

Project Provinces

Cao Bang  
Lang Son  
Son La  
Ha Bac  
Ha Tay  
Nghe An  
Ha Tinh  
Quang Tri  
Binh Dinh  
Phu Yen  
Ninh Thuan  
Gia Lai  
Kon Tum  
Tay Ninh  
Soc Trang

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

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

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance

with the provisions of Section II of the Guidelines and paragraph 5 of Appendix I thereto.

#### Preference for domestically manufactured goods

2. For goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B, the provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereof shall apply to goods manufactured in the territory of the Borrower.

#### Part C: Other Procurement Procedures

##### 1. National Competitive Bidding

(a) Except as provided in paragraph 3 of this Part C, works shall be procured under contracts awarded in accordance with the provisions of Section 3.3 and 3.4 of the Guidelines.

(b) Goods (other than drugs and other pharmaceuticals) estimated to cost \$150,000 equivalent or less per contract up to an aggregate amount not to exceed \$8,000,000 may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

##### 2. National Shopping

Goods (other than drugs and other pharmaceuticals) estimated to cost \$25,000 equivalent or less per contract up to an aggregate amount not to exceed \$700,000 equivalent may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of Sections 3.5 and 3.6 of the Guidelines.

##### 3. Procurement of Small Works

Works estimated to cost less than \$30,000 equivalent per contract, up to an amount not to exceed \$3,700,000 equivalent, may be procured under contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

#### Part D: Review by Association of Procurement Decisions

##### 1. Procurement Planning

Prior to the issue of any invitations to pre-qualify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

##### 2. Prior Reviews

With respect to: (a) each contract for goods estimated to cost the equivalent of one hundred fifty thousand dollars (\$150,000) or more; and (b) the first two contracts for works regardless of their respective estimated costs and thereafter, each contract for works estimated to cost the equivalent of one hundred fifty thousand dollars (\$150,000) or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

### 3. Post Reviews

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

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

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

## SCHEDULE 4

### A. Project Management

1. The Borrower shall establish and thereafter maintain at all times during the implementation of the Project the Project Steering Committee, chaired by a representative of MOH and with representatives of MOF, MPI, NCPFP and SBV, assigned with such functions and responsibilities, satisfactory to the Association, as shall be required for the overall oversight of Project implementation.

2. The Borrower shall establish and thereafter maintain at all times during the implementation of the Project a Project Management Unit in MOH, headed by a Manager with qualifications and experience satisfactory to the Association, and assigned with such functions, responsibilities and funds, satisfactory to the Association, and with competent staff in adequate numbers, as shall be required for coordinating the implementation of the Project.

3. The Borrower shall ensure that each Project Province shall establish and thereafter maintain during the implementation of the Project, a Provincial Project Implementation Unit, headed by a Manager with qualifications and experience satisfactory to the Association, and assigned with such functions, responsibilities, funds and competent staff in adequate numbers, satisfactory to the Association, as shall be required for assisting the Provincial Health Services Directors to implement the Project within their respective Provinces.

4. The Borrower shall take all steps necessary to ensure that each of the Project Provinces shall carry out its respective activities under the Project and, to that end, shall make available to each of the Project Provinces the proceeds of the Credit and other funds allocated for such purposes.

5. The Borrower shall carry out the Project in accordance with a strategy, satisfactory to the Association, which shall: (a) be designed on the basis of studies and surveys undertaken by qualified and experienced experts under terms of reference and timing satisfactory to the Association; and (b) include provisions for the informed participation of, and consultation with, a variety of representative communities in the Project Provinces, in particular communities with Ethnic Minorities, to ensure that the design and implementation thereafter of the Project adequately addresses the needs and cultural preferences of such communities. For purposes of this Part A, the term "Ethnic Minorities" means social groups disadvantaged in the development process and with social and cultural identity distinct from those which constitute the predominant ethnic group in Viet Nam.

6. The Borrower shall establish and maintain operational procedures, satisfactory to the Association, to adequately monitor and evaluate in accordance with indicators acceptable to the Association, progress in the carrying out of the Project, including the implementation of the strategy referred to in paragraph 5 above and its impact on the various communities in the Project Provinces, in particular those with Ethnic Minorities, as well as the overall impact of the Project on the status of health in Viet Nam.

7. The Borrower shall:

(a) not later than June 30 and December 31 of each year, commencing December 31, 1996, furnish to the Association semi-annual reports on the implementation of the Project, satisfactory to the Association, including the results of the monitoring and evaluation activities carried out pursuant to paragraph A.6 of this Schedule; and

(b) by March 31, 1999 undertake a mid-term review with the Association to assess the overall implementation of the Project and any proposed measures resulting from the monitoring and evaluation activities carried out by the Borrower pursuant to the provisions of paragraph A.6 of this Schedule to further achieve the objectives of the Project. For such purposes the Borrower shall, in addition to the annual work program referred to in paragraph A.8 of this Schedule, prepare and furnish to the Association by December 31, 1998, a comprehensive report of the activities undertaken under the Project.

8. The Borrower shall:

(a) by August 31 in each year, commencing on August 31, 1996, furnish to the Association for its review and comments, a proposed annual work program and budget for Project activities in the following calendar year; and

(b) thereafter, taking into account the Association's comments, implement such annual work program during the following twelve month period in a manner satisfactory to the Association.

9. By September 30, 1996, the Borrower shall furnish to the Association, for its review and comments, its proposed policy and implementation guidelines with respect to: (a) cost recovery for essential drugs and medical supplies to be provided under Part A (i) of the Project; and (b) essential drugs and medical supplies to be provided under Part A (i) of the Project, free of charge, to beneficiaries in mountainous

and remote communes, and thereafter, taking into account the Association's comments, implement such policy and guidelines.

B. Training under the Project

The Borrower shall (a) carry out the training under each Part of the Project in accordance with training programs acceptable to the Association; and (b) to that end, by no later than August 31, 1996, furnish to the Association for its review and comment a proposed time-bound action plan for each such training program.

C. Commune and District Health Centers under Part A of the Project

1. The Borrower shall select commune health centers and district health centers to be upgraded under Part A of the Project in accordance with criteria acceptable to the Association.
2. The Borrower shall maintain the facilities of each commune health center and district health center upgraded under Part A of the Project in accordance with arrangements acceptable to the Association.
3. The Borrower shall take all such actions as are necessary to ensure that: (a) each commune health center and district health center in the Project Provinces shall be adequately staffed; and (b) said district health centers be provided with adequate funding to meet the payroll obligations of the related commune health centers.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (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 Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$3,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,500,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 11,000,000.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the 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 deposit into the Special Account such amount or amounts as the Borrower shall have requested.

- (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.
- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the 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 Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

- (a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;
- (b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;
- (c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or
- (d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, 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 the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

