

CONFORMED COPY

IDA GRANT NUMBER 152-VN

Development Grant Agreement

(Vietnam HIV/AIDS Prevention Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 26 , 2005

IDA GRANT NUMBER 152-VN

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated May 26, 2005, between SOCIALIST REPUBLIC OF VIETNAM (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Recipient, 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

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

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth in Schedule 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

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

- (a) “AIDS” means the acquired immuno-deficiency syndrome.
- (b) “Category” means the category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.
- (c) “CPMU” means the Central Project Management Unit within the Ministry of Health’s General Department of Preventive Medicine and HIV/AIDS Control

and any successor thereto, to be established and maintained in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement.

(d) “DOH” means a Department of Health at the provincial level.

(e) “DOIC” means a Department of Information and Culture at the provincial level.

(f) “DOLISA” means a Department of Labor, Invalids and Social Affairs at the provincial level.

(g) “Ethnic Minority Framework” means the policy framework dated February 2005, adopted by the Recipient’s Ministry of Health through Decision No. 431/QD-BYT dated February 23, 2005, satisfactory to the Association, and referred to in paragraph 6 of Schedule 4 to this Agreement, which sets out: (i) the policies and procedures to ensure meaningful consultation with, and the informed participation of, ethnic minorities within the Participating Cities and Participating Provinces who are affected by the Project, and (ii) the principles for the preparation of ethnic minorities development plans as may be required during the implementation of the Project, as said Framework may be revised from time to time with the prior concurrence of the Association.

(h) “Financial Monitoring Report” and “FMR” mean each report prepared in accordance with Section 4.02 of this Agreement.

(i) “Health Care Waste Management Plan” means the plan dated January 2005, adopted by the Recipient’s Ministry of Health through Decision No. 431/QD-BYT dated February 23, 2005, satisfactory to the Association, and referred to in paragraph 7 of Schedule 4 to this Agreement, which sets out the environmental mitigation measures in respect of the treatment of the health care waste generated at the rehabilitation centers and community-based clinics at the pilot sites under Part B of the Project.

(j) “HIV” means the human immuno-deficiency virus.

(k) “Innovation Sub-Grant” means a sub-grant made available by the Recipient out of the proceeds of the Grant to an eligible beneficiary for the development and implementation of innovative HIV/AIDS prevention and treatment approaches under Part B.1(d) of the Project, pursuant to the provisions of Part B of the Annex to Schedule 4 to this Agreement.

(l) “MOH” means the Recipient’s Ministry of Health, and any successor thereto.

(m) “MOIC” means the Recipient’s Ministry of Information and Culture, and any successor thereto.

(n) “MOLISA” means the Recipient’s Ministry of Labor, Invalids and Social Affairs, and any successor thereto.

(o) “National Strategy on HIV/AIDS Prevention and Control” means the strategy adopted by the Recipient through the Prime Minister’s Decision No. 36/2004/QĐ-TTg of March 17, 2004, which sets out the Recipient’s strategy for the period through 2010 with a long-term vision extending through 2020, for the control, prevention and treatment of HIV/AIDS, referred to in Section 5.01 of this Agreement.

(p) “NIHE” means the Recipient’s National Institute of Hygiene and Epidemiology, and any successor thereto.

(q) “Operations Manual” means the manual to be adopted by MOH to provide procedures and guidelines in the implementation of Part A of the Project, and referred to in paragraph 5 of Schedule 4 to this Agreement, as such Manual may be amended from time to time with the prior concurrence of the Association.

(r) “Participating Cities” means those cities of the Recipient participating in the Project and listed in the Annex to Schedule 2 to this Agreement, as such list may be amended from time to time with the prior concurrence of the Association; and “Participating City” means any one of such Participating Cities.

(s) “Participating Provinces” means those Provinces of the Recipient participating in the Project and listed in the Annex to Schedule 2 to this Agreement, as such list may be amended from time to time with the prior concurrence of the Association; and “Participating Province” means any one of such Participating Provinces.

(t) “PPMU” means a Provincial Project Management Unit established and maintained in each Participating Province and each Participating City, in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement; and “PPMUs” means all such PPMUs.

(u) “Procurement Plan” means the Recipient’s procurement plan, dated February 2005 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation.

(v) “Provincial AIDS Steering Committee” means the Committee established and maintained in each Participating Province and Participating City, in accordance with the provisions of paragraph 4 of Schedule 4 to this Agreement.

(w) “Provincial HIV/AIDS Action Plan” means the annual plan prepared by a Participating Province or a Participating City, which sets forth the program of activities and indicates the objectives, target populations and sources of funds therefor, designed to prevent the spread of HIV/AIDS within said Province or City, and proposed by said Province or City for financing under Part A of the Project; and “Provincial HIV/AIDS Action Plans” means all such Plans.

(x) “Provincial Sub-Grant” means a sub-grant made available by the Recipient out of the proceeds of the Grant to a Participating Province or a Participating City for purposes of Part A of the Project and pursuant to the provisions of Part A of the Annex to Schedule 4 to this Agreement.

(y) “Special Account” means the account referred to in Section 2.02(b) of this Agreement.

(z) “Technical Review Team” means the team to be established and maintained by the CPMU in accordance with the provisions of paragraph 8 of Schedule 4 to this Agreement, to review the Provincial HIV/AIDS Action Plans and ensure the feasibility and effectiveness of the HIV/AIDS interventions proposed.

ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to twenty-three million one hundred thousand Special Drawing Rights (SDR 23,100,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement (i) 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 carrying out of Parts B (except Part B.1 (d)) and C of the Project and to be financed out of the proceeds of the Grant; and (ii) for amounts paid (or, if the Association shall so agree, to be paid) by the Recipient on account of a Sub-grant made under Parts A and B.1 (d) of the Project to meet the reasonable cost of goods and services required for an activity and in respect of which the withdrawal from the Grant Account is requested.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank 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 December 31, 2011 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.04. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant 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 Recipient from the Grant 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 2.04 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 Recipient; and (iii) in US Dollars or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of Section 4.02 of the General Conditions.

Section 2.05. Commitment charges shall be payable semi-annually on April 15 and October 15 in each year.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient 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, with due diligence and efficiency and in conformity with appropriate administrative, management, financial and public health practices, and sound environmental and social standards acceptable to the Association, 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 Recipient and the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the implementation program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, a plan designed to ensure the continued achievement of the objectives of the Project and its sustainability; and

(b) afford the Association a reasonable opportunity to exchange views with the Recipient on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
 - (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.
- (c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient shall:
- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
 - (ii) enable the Association's representatives to examine such records; and
 - (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in paragraph 15 of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that the National Strategy on HIV/AIDS Prevention and Control shall have been abrogated, amended, waived, or otherwise significantly modified so as to affect materially and adversely the ability of the Recipient, or that of the Participating Provinces or Participating Cities to carry out the Project, their respective Project activities, or a significant part thereof.

ARTICLE VI

Effectiveness; Termination

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

(a) MOH has adopted: (i) a first-year project implementation plan in respect of Part B of the Project, and (ii) the Operations Manual in respect of Part A of the Project, in each case in form and substance acceptable to the Association, in accordance with the provisions of, respectively, paragraph 11 and paragraph 5 of Schedule 4 to this Agreement;

(b) The CPMU has, in a manner satisfactory to the Association, and in accordance with the provisions of paragraphs 8, 2 and 1 of Schedule 4 to this Agreement: (i) approved terms of reference, acceptable to the Association, for the Technical Review Team; (ii) completed the short-listing of candidates for its Technical Unit and its Monitoring and Evaluation Unit; (iii) completed the selection process for a procurement advisor with international experience; and (iv) engaged two accountants and a cashier; in each case with qualifications and experience and under terms of reference acceptable to the Association; and

(c) The Participating Provinces and Participating Cities have each (i) established their respective PPMUs; (ii) appointed thereto a Project director; and (iii)

engaged therefor a procurement officer and an accountant; in all cases, with qualifications and experience and under terms of reference acceptable to the Association, in accordance with the provisions of paragraph 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 Recipient; Addresses

Section 7.01. The Governor, or any Deputy Governor of the State Bank of Vietnam is designated as representative of the Recipient 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 Recipient:

State Bank of Vietnam
49 Ly Thai To
Hanoi
Socialist Republic of Vietnam

Cable address:	Telex:	Facsimile:
VIETBANK Hanoi	412248 NHTWVT	(84-4) 825 0612

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) 64145 (MCI)	(1-202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Hanoi, Socialist Republic of Vietnam, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By /s/ Le Duc Thuy

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Khlaus Rohland

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Provincial Sub-Grants under Part A of the Project	14,250,000	100% of Sub-Grant amount disbursed
(2) Innovation Sub-Grants under Part B.1 (d) of the Project	330,000	100% of Sub-Grant amount disbursed
(3) Civil works	50,000	100%
(4) Goods	1,280,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 90% of local expenditures for other items procured locally
(5) Consultants' services	3,420,000	100%

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(6) Training	1,120,000	100%
(7) Incremental Operating Costs	1,980,000	75%
(8) Unallocated	670,000	
TOTAL	23,100,000 =====	

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 Recipient for goods or services supplied from the territory of any country other than that of the Recipient;

(b) the term “local expenditures” means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient;

(c) the term “incremental operating costs” means the reasonable costs of incremental expenditures incurred by the CPMU and the PPMUs in carrying out Parts B and C, and Part A of the Project, respectively (which expenditures would not have been incurred absent the Project), including travel costs and per diem for Project implementation staff, office consumables, communication expenses and courier services, costs related to bidding; but in all cases excluding salaries and salary supplements of civil servant; and

(d) the terms “civil works” under Category (3) means works for the renovation and upgrading of community-based clinics and drug rehabilitation centers at the pilot sites under Part B.1 (a) of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR350,000, may be made in respect of Categories (3), (4), (5) (6) and (7) on account of payments made for expenditures before that date but after March 1, 2005; and

(b) in respect of payments made for expenditures under Category (4) until the CPMU has engaged a procurement adviser with international experience in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$100,000 equivalent per contract; (b) works costing less than \$50,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; (d) services of consulting firms costing less than \$100,000 equivalent per contract; (e) training; (f) incremental operating costs; and (g) Provincial and Innovation Sub-grants; all under such terms and conditions as the Association shall specify by notice to the Recipient.

5. If the Association shall have determined at any time that any amount of the Grant was used in a manner inconsistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Association, refund to the Association for deposit into the Grant Account, an amount equivalent to the amount so used.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Recipient in establishing and maintaining national, provincial and local policies and capacity to design, implement and evaluate information and service delivery programs designed to halt the transmission of HIV/AIDS among vulnerable populations and between vulnerable populations and the general population, thereby assisting the Recipient in the implementation of its National Strategy on HIV/AIDS Prevention and Control.

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

PART A: Provincial HIV/AIDS Action Plans

Preparation and implementation of Provincial HIV/AIDS Action Plans in selected provinces and cities, through the provision of Provincial Sub-grants.

PART B: National HIV/AIDS Policy and Program

1. Policy and Program Development and Implementation

(a) Preparation and implementation of a community-based treatment model which integrates HIV treatment and harm reduction programs at selected pilot sites, consisting of: (i) operation of community-based clinics; (ii) strengthening of clinical facilities within drug rehabilitation centers with residents drawn from the location in which the community clinics are based; and (iii) support to such community clinics and rehabilitation center clinics through the provision of supervision, technical expertise and facilities by specialist HIV/AIDS treatment facilities.

(b) Development of supportive national and provincial policies and strengthening of research capacity for HIV prevention, care and treatment among vulnerable populations.

(c) Support for programs of knowledge sharing and training in HIV/AIDS prevention, care and treatment.

(d) Development of innovative and effective HIV/AIDS prevention and treatment approaches and models among vulnerable groups, through the provision of Innovation Sub-grants.

2. Monitoring and Evaluation

Development of a national Monitoring and Evaluation results framework, operational plan and system, consisting of:

(a) Adoption of a revised HIV/AIDS Monitoring and Evaluation Plan which establishes the structure for monitoring and evaluation, national indicators and guidelines for the collection and use of data;

(b) Establishment of a national Monitoring and Evaluation Unit within the Department of HIV/AIDS Control of MOH to coordinate national monitoring and evaluation activities;

(c) Establishment of regional Monitoring and Evaluation centers;

(d) Provision of training to national, regional and provincial personnel; and

(e) Strengthening of: (i) biological and behavioral surveillance of priority communities and vulnerable populations; (ii) health facility surveillance of HIV/AIDS services; (iii) effectiveness research; and (iv) Monitoring and Evaluation dissemination and data use mechanisms.

3. Behavior Change Communication

Preparation and implementation of a five-year nationwide behavior change communication campaign, at the national and provincial levels, to reduce stigma and discrimination against groups vulnerable to HIV/AIDS, targeted at service providers and national and local policy and decision makers.

PART C: Project Management

Strengthening of the national and provincial Project management and implementation capacity, including audit of the Project accounts.

* * *

The Project is expected to be completed by June 30, 2011.

Annex to Schedule 2

Participating Cities and Participating Provinces

1. Participating Cities:

Hai Phong
Ho Chi Minh City

2. Participating Provinces:

An Giang
Bac Giang
Ben Tre
Cao Bang
Dong Nai
Hau Giang
Khanh Hoa
Kien Giang
Lai Chau
Nam Dinh
Nghe An
Son La
Thai Binh
Thai Nguyen
Thanh Hoa
Tien Giang
Vinh Long
Yen Bai

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. Limited International Bidding. Goods which the Association agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding.

2. National Competitive Bidding. Goods estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions set forth in the Annex to this Schedule.

3. Shopping. Works for the rehabilitation of community-based clinics and goods, in each case estimated to cost less than \$26,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

4. Direct Contracting. Goods, including anti-retroviral drugs, which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

5. Procurement from UN Agencies. Vehicles to be made available to implementing agencies may be procured directly from the Inter-agency Procurement Services Office of the UN, in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

B. Other Procedures

1. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to prior approval of the Association.

Section IV. Review by the Association of Procurement Decisions

1. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association:

(a) in respect of contracts for goods, works and services (other than consultants' services): (i) each contract estimated to cost the equivalent of \$100,000 or more, and each contract procured on the basis of Direct Contracting; (ii) the first two contracts procured on the basis of National Competitive Bidding, regardless of the value thereof; and (iii) the first two contracts procured on the basis of Shopping, regardless of the value thereof; and

(b) in respect of contracts for consultants' services: (i) each contract with a firm estimated to cost the equivalent of \$100,000 or more; (ii) each contract with individual consultant estimated to cost the equivalent of \$50,000 or more; (iii) the contracts with individual consultants for technical assistance in the areas of harm reduction and monitoring and evaluation, regardless of the value thereof; and (iv) each contract procured on the basis of Single Source.

2. All other contracts shall be subject to Post Review by the Association.

Annex to Schedule 3

National Competitive Bidding

The Recipient represents that the procedures to be followed for National Competitive Bidding shall be those set forth in the Decree 88/1999/ND-CP dated September 1999, as modified by Decree 14/2000/ND-CP dated May 2000 and Decree 66/2003/ND-CP dated June 2003; and, in order to ensure economy, efficiency and transparency and broad consistency with the provisions of Section I of the Guidelines (as required by paragraph 3.3 of the Guidelines), goods and works for which this Schedule allows procurement shall be procured in accordance with paragraphs 3.3 and 3.4 of the Guidelines and the following paragraphs.

Participation in bidding and preferences

(i) For clarification purposes, it is understood that the last sentence of the amended Paragraph (c), Section 2, Article 2 of Decree 88/1999/ND-CP which states that “All the procedures for submission, appraisal and approval of bidding results and bidder selection results shall follow the Procurement Regulation” means “Approvals of draft bidding documents, bid evaluation reports and proposals for award shall be obtained in accordance with the relevant rules and procedures of the Procurement Regulation”.

(ii) Government-owned enterprises in Vietnam shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient or the procuring entity. Military or security units, or enterprises which belong to the Ministry of Defense or the Ministry of Public Security shall not be permitted to bid.

(iii) Foreign bidders shall be eligible to participate in bidding under the same conditions as local bidders, and local bidders shall be given no preference (either in the bidding process or in bid evaluation) over foreign bidders, nor shall bidders located in the same province or city as the procuring entity be given any such preference over bidders located outside that city or province.

(iv) Bidders shall be allowed to participate in bidding without being listed in the Government Database on Bidder Information or in any other registration system.

(v) Prospective bidders shall be permitted to request bidding documents either in person or through the mail upon submission of a written application. Bidding documents shall be sold to anyone who is willing to pay the required fee of the bidding documents, and no other conditions shall be imposed on the sale of the bidding documents. The fee for the bidding documents should be reasonable and consist only of the cost of printing (or photocopying) the documents and their delivery to the purchaser. The bidding documents shall be delivered, at the prospective bidders' preference, either by hand or by mail/courier provided that the bidder is willing to pay the mail/courier

delivery charges which should be specified in the Invitation for Bids. Each bidder shall be allowed to purchase only one set of the bidding documents.

(vi) Foreign bidders shall not be required, in order to participate in bidding or as a condition of award of the contract or during execution of the contract, to enter into a joint venture with a local bidder, or to subcontract part of their contract to a local bidder.

(vii) If there is prequalification, *all* prequalified bidders shall be invited to bid.

(viii) If there is limited bidding because there are only a limited number of bidders who can meet the requirements of the bidding documents, *all* of these bidders shall be invited to bid.

(ix) Bidders shall not be required, as a condition of participation in the bidding, to provide suppliers' credits.

Advertising; time for bid preparation

(x) Invitations to bid shall be advertised in at least one widely circulated national newspaper. In addition, the Recipient is encouraged to advertise in the Government Public Procurement Bulletin when established and on a free and open access website. A minimum of 30 days for the preparation and submission of bids shall be provided, and potential bidders shall be allowed to purchase bidding documents up to 24 hours prior to the deadline for the submission of bids.

Standard Bidding Documents

(xi) The Recipient's standard bidding documents, acceptable to the Association, shall be used. The bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission and opening of bids. Bidders shall be allowed to submit bids by hand or by mail.

Qualification criteria and evaluation criteria

(xii) Qualification criteria shall be clearly specified in the bidding documents, *and* all criteria so specified, and *only* criteria so specified, shall be used to determine whether a bidder is qualified. The evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. When post qualification is applied, the assessment of bidders' qualifications shall be carried out only after the preliminary and detailed evaluation of bids has been completed by the Purchaser/Employer and, in doing so, the qualifications of the bidder who has submitted the lowest evaluated substantially responsive bid shall be assessed first. In carrying out the post-qualification assessment, the Employer/Purchaser shall exercise reasonable judgment in requesting, in writing, from a bidder only missing factual or historical supporting information related to the bidder's qualifications and shall provide a

reasonable time period (that is, a minimum of 7 days) to the bidder to provide his response.

(xiii) Evaluation criteria shall be clearly specified in the bidding documents, and evaluation criteria other than price shall be quantified in monetary terms. All evaluation criteria so specified, and only evaluation criteria so specified, shall be taken into account in bid evaluation. Merit points shall not be used in bid evaluation.

Bid opening, evaluation and award of contract

(xiv) Bids shall be opened in public, immediately after the stipulated deadline for submission of bids. Bidders or their representatives, shall be allowed to be present. The name of the bidder and total amount of each bid, including discounts, shall be read aloud and recorded. Immediately after completion of the bid opening proceedings, a copy of the bid opening record shall be posted at a prominent location, accessible to the public, outside the office of the concerned procuring entity and shall be retained at the same location until the award of contract has been notified. A copy of the bid opening record shall be promptly provided to all bidders who submitted bids.

(xv) Bids received after the deadline for bid submission shall be returned to the bidders unopened.

(xvi) All bids shall not be rejected or new bids solicited without the Association's prior concurrence.

(xvii) No bidder shall be rejected merely on the basis of a comparison with the owner's estimate and budget ceiling without the Association's prior concurrence.

(xviii) A bid containing material deviations from, or reservations to, the terms, conditions or specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened. Bidders shall not be eliminated from detailed evaluation on the basis of non-material, minor deviations or reservations.

(xix) Evaluation of bids shall be made in strict adherence to the criteria specified in the bidding documents, and contracts shall be awarded to the qualified bidder offering the lowest evaluated and responsive bid.

(xx) A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents, or otherwise to modify the bid as originally submitted.

(xxi) There shall be no post-bidding negotiations with the lowest or any other bidder.

(xxii) The Recipient shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association and the Government, if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, an Association-financed contract.

Suppliers and Contractors

(xxiii) Bidding documents and contracts under national competitive bidding procedures financed by the Association shall include a provision requiring suppliers and contractors to permit the Association to inspect their accounts and records relating to the bid submission and the performance of the supplier and/or contractor, as the case may be, and to have them audited by auditors appointed by the Association, if so required by the Association.

(xiv) License for foreign contractors operation in Vietnam would be provided in a timely manner and will not be arbitrarily withheld.

Publication of the Award of Contract

(xxv) The Recipient shall publish the following information on contract award in Government Public Procurement Bulletin when established or on a free and open access website or on another means of publication acceptable to the Association: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid that was evaluated; (d) name of bidders whose bids were rejected and the reasons for their rejection; and (e) name of the winning bidder, price it offered as well as the duration and summary scope of the contract awarded. This publication shall be updated quarterly.

Complaints by Bidders and Handling of Complaints

(xxvi) The national competitive bidding procedures for contracts financed by the Association shall include provisions, acceptable to the Association, for bidders to protest.

SCHEDULE 4

Implementation Program

Project Management

1. The Recipient shall establish and, thereafter throughout the period of implementation of the Project, maintain a Central Project Management Unit within the General Department of Preventive Medicine and AIDS Control of MOH, to be responsible, inter alia, for: (i) coordinating with other central line agencies involved in the control and prevention of HIV/AIDS; (ii) managing the implementation of Parts B and C of the Project; (iii) providing all necessary technical support to the Participating Provinces and Participating Cities; and (iv) monitoring and evaluating the implementation of the Provincial HIV/AIDS Action Plan; said Unit to be provided with adequate resources, under the direction of qualified managers and staffed with competent personnel in sufficient numbers, including a Project director, Project vice director, Project coordinator, a chief accountant and two accountants and a cashier, procurement officers, and technical consultants in the areas of harm reduction, behavior change communication, care and treatment, capacity building and monitoring and evaluation; in all case with qualifications and experience and under terms of reference acceptable to the Association.

2. The CPMU shall engage a procurement adviser with international experience qualifications and experience and under terms of reference acceptable to the Association, and in accordance with the guidelines set forth in Schedule 3 to this Agreement, to assist the CPMU in ensuring that procurement under the Project is carried out with due regards to efficiency, economy, transparency and is consistent with the Procurement and the Consultant Guidelines; said adviser to be responsible, inter alia, for developing the annual procurement plan for the Project, handling the procurement of goods and works, preparing procurement guidelines and training material for staff of the CPMU and PPMUs.

3. The Recipient shall cause each Participating Province and Participating City to establish and, thereafter throughout the period of implementation of the Project, maintain a Provincial Project Management Unit responsible for developing and managing the implementation of the Provincial HIV/AIDS Action Plan; said Unit to be provided with adequate resources, under the direction of qualified managers and staffed with competent personnel in sufficient numbers, including a Project director, a program manager, a Project coordinator, a procurement officer, an accountant and a cashier, in all cases with qualifications and experience and under terms of reference acceptable to the Association.

4. The Recipient shall cause each Participating Province and Participating City to establish and, thereafter throughout the period of implementation of the Project, maintain a Provincial AIDS Steering Committee with composition acceptable to the Association,

chaired by a vice - chairman of the Provincial People's Committee, and including among others, representatives of the Provincial HIV/AIDS Standing Bureau, Departments of Health, of Labor Invalids and Social Affairs, of Public Security, of Information and Culture, of Finance and of Planning and Investment; said Committee to be responsible for the overall direction of the Project activities within said Participating Province or Participating City, reviewing and approving the Provincial HIV/AIDS Action Plan, and coordinating with mass organizations and community-based groups to ensure their participation in determining the priorities under the Provincial HIV/AIDS Action Plan and the allocation of resources therefor.

Project Implementation

5. To guide the implementation of Part A of the Project, the Recipient:

(a) shall, through MOH and the CPMU, develop and adopt an Operations Manual acceptable to the Association, which sets forth, inter alia, guidelines for the preparation of Provincial HIV/AIDS Action plans; criteria and procedures for approval therefor; procedures for financial management, control and reporting and audit requirements; procurement procedures consistent with the provisions of Schedule 3 to this Agreement; criteria and procedures for approval of Provincial Sub-grants; and the Ethnic Minority Framework; and

(b) shall not amend, revise or waive, or cause to be amended, revised or waived, the provisions of the Operations Manual without the prior concurrence of the Association.

6. The Recipient shall and shall cause the Participating Provinces and Participating Cities to:

(a) implement the Ethnic Minority Framework in a manner satisfactory to the Association, designed to provide meaningful consultation with, and the informed participation of, ethnic minority groups living within the Project area, and to ensure that activities and benefits under the Project are socially and culturally acceptable to such groups;

(b) whenever the implementation of the Project or any part thereof would take place in an area where an ethnic minority community resides, cultivates or uses grazing lands, prepare and provide to the Association for its approval an ethnic minorities development plan prepared in accordance with the principles and procedures set forth in said Framework and with the full and informed participation of such ethnic minority community, designed to ensure that Project activities adequately address the needs, cultural practices and preferences of such community; and, thereafter, implement in a manner satisfactory to the Association, such ethnic minorities development plan as shall have been approved by the Association;

(c) provide to the Association for its prior approval any proposed revision of said Framework or any of said ethnic minorities development plans, and, thereafter, introduce such revision into said Framework or said plans as shall have been agreed with the Association; and

(d) maintain policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Framework and said ethnic minorities development plans, and the achievement of their objectives.

7. The Recipient:

(a) shall implement, and shall cause to be implemented, the Health Care Waste Management Plan in a manner satisfactory to the Association; and

(b) shall not amend, revise or waive, or cause to be amended, revised or waived, the provisions of said Plan without the prior concurrence of the Association.

8. The Recipient:

(a) shall, by no later than November 30, 2005, establish the Technical Review Team to assist the CPMU and Provincial AIDS Steering Committee to review the proposed Provincial HIV/AIDS Action Plans in order to ensure: the quality of such Plans, their epidemiological relevance and probable impact on HIV transmission dynamics, consistency with international good practice, technical expertise and feasibility of said Plans, as well as the optimal use of existing resources; and

(b) to this end, shall appoint members of the Technical Review Team with qualifications and experience and under terms of reference acceptable to the Association.

9. For purposes of Part A of the Project, the Recipient:

(a) shall through the CPMU, enter into a memorandum of understanding with the PPMU of each Participating Province and Participating City which sets forth the undertaking of said Participating Province or City in respect of its respective Provincial HIV/AIDS Action Plan, the use of the proceeds of the Provincial Sub-grants only for the purpose of said Action Plan as approved, and the financial management, control and reporting procedures related thereto, all in accordance with the provisions of the Operations Manual; and

(b) shall not disburse Provincial Sub-grants for the purpose of financing the Provincial HIV/AIDS Action Plan of a Participating Province or City until such Participating Province or City has executed such memorandum of understanding, in form and substance to the Association.

10. The Recipient shall:

(a) cause each Participating Province and Participating City, by October 31 of each year, commencing in 2005 to prepare and submit to the CPMU for its review and endorsement, an annual Provincial HIV/AIDS Action Plan in accordance with the guidelines set forth in the Operations Manual; and

(b) ensure that Provincial Sub-grants are provided to Participating Provinces and Participating Cities in accordance with the provisions of the Operations Manual and the provisions of Part A of the Annex to this Schedule.

11. The Recipient through MOH shall:

(a) implement Part B of the Project in accordance with an implementation plan acceptable to the Association;

(b) to this end, by October 31 of each year, commencing in 2006, prepare and provide to the Association for its review and comment an annual implementation plan, setting forth the activities proposed to be carried out that year and the budget therefor; and thereafter carry out said annual implementation plan in a manner satisfactory to the Association.

12. For purposes of Part B.1 (d) of the Project, the Recipient shall provide Innovation Sub-grants to eligible beneficiaries in accordance with the provisions of the implementation plan and the provisions of Part B of the Annex to this Schedule.

13. For purposes of Part B.2, the Recipient shall:

(a) by no later than December 1, 2005, adopt a national HIV/AIDS Monitoring and Evaluation Plan acceptable to the Association setting forth the monitoring and evaluation structure, national indicators and guidelines for the collection and use of indicator data;

(b) by no later than December 31, 2005 establish a National Monitoring and Evaluation Unit within the Department of HIV/AIDS Control of MOH, responsible for, inter alia, coordinating national monitoring and evaluation activities, supervising and supporting specialized agencies charged with monitoring and evaluation, reviewing and disseminating national monitoring and evaluation data, and monitoring the Provincial HIV/AIDS Action Plans; said Unit to be provided with adequate resources, under the direction of qualified managers, and staffed with competent personnel in sufficient numbers, with qualifications and experience and under terms of reference acceptable to the Association.

14. The Recipient shall, by no later than December 31, 2005, establish regional Monitoring and Evaluation Centers in NIHE in Hanoi, the Pasteur Institute in Ho Chi Minh City, the Pasteur Institute in Nha Trang and the Hygiene and Epidemiology Institute of the Highland in Dak Lak Province; each such Center to be provided with

adequate resources, under the direction of qualified managers; and staffed with competent personnel in sufficient numbers, in all cases with qualifications and experience and under terms of reference acceptable to the Association.

15. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about April 30, 2008, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by June 30, 2008, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

Annex to Schedule 4

Criteria Provincial for Sub-Grants and Innovation Sub-Grants

A. Provincial Sub-grants under Part A of the Project

1. Provincial Sub-grants shall only be provided to Participating Provinces and Participating Cities which have established a PPMU and a Provincial AIDS Steering Committee in accordance with paragraphs 3 and 4, respectively, of Schedule 4 to this Agreement.

2. A Provincial Sub-grant shall be provided to a Participating Province and a Participating City on the basis of an annual Provincial HIV/AIDS Action Plan prepared and approved in accordance with the criteria and procedures set forth in the Operations Manual referred to in paragraph 5 of Schedule 4 to this Agreement.

3. For each annual Provincial Sub-grant:

(a) a Memorandum of Understanding shall be entered into between the Director of the CPMU and the Director of the relevant PPMU setting forth the terms and conditions of such Provincial Sub-grant in accordance with the provisions of paragraph 9 of Schedule 4 to this Agreement; and

(b) a Memorandum of Understanding shall be entered into between the relevant PPMU and the provincial or city agency carrying out one or more of the activities under the Provincial HIV/AIDS Action Plan, setting forth the terms and conditions of such Provincial Sub-grant.

4. Provincial Sub-grants shall not be disbursed for the following:

(a) expenditures intended for police purposes, provided that proceeds of the Provincial Sub-grants may finance expenditures for training and study tours and information, education and communication activities on HIV/AIDS prevention under the Project for Provincial Departments of Public Security;

(b) expenditures for anti-retroviral therapy;

(c) expenditures for the acquisition of vehicles;

(d) expenditures for civil works for new construction at rehabilitation centers and hospitals; and

(e) expenditures for blood safety.

B. Innovation Sub-grants under Part B.1 (d) of the Project

1. In carrying out Part B.1 (d) of the Project, the Recipient shall cause a memorandum of understanding to be entered into between MOH and a beneficiary, on terms and conditions set forth in the implementation plan.

2. An Innovation Sub-grant provided to a Grantee shall be in an amount of \$10,000 equivalent or more, but shall not exceed \$20,000 equivalent.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories means Categories (1), (2), (3), (4), (5), (6) and (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 Grant 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 \$3,500,000 to be withdrawn from the Grant 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 Grant 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 SDR5,000,000.
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 Recipient 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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.
 - (b)
 - (i) For replenishment of the Special Account, the Recipient 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 Recipient 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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient 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 Grant 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 Recipient out of the Special Account, the Recipient 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 Recipient directly from the Grant 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 Recipient 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 Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Grant 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 Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Recipient. 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 Recipient 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 Recipient 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 Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient 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 Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04(a), 3.04(b), 6.05 and Article VII are deleted in their entirety.

2. Wherever used in the General Conditions, the following terms are modified to read as follows:

- (a) The term “Borrower” is modified to read “Recipient”.
- (b) The term “Credit” is modified to read “Grant”.
- (c) The term “Credit Account” is modified to read “Grant Account”.
- (d) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.

3. Section 1.01 is modified to read as follows:

“Section 1.01. Application of General Conditions

These General Conditions set forth the terms and conditions generally applicable to the Development Grant Agreement to the extent and subject to any modifications set forth in such agreement.”

4. Paragraph 3 of Section 2.01 is modified to read as follows:

“3. “Recipient” means the party to the Development Grant Agreement to which the Grant is made.”

5. Article III is modified as follows:

- (a) The heading of Article III is modified to read “Grant Account; Partial Payment”, and the heading of Section 3.04 is modified to read “Partial Payment”.
- (b) The words “The principal of, and service charges on, the Credit” in Section 3.05 are modified to read “All amounts required to be paid under the Development Grant Agreement”.

6. Article IV is modified as follows:

- (a) Section 4.02(a) is modified to read as follows:

“Section 4.02. Currencies in which Payments are to be Made

(a) The Recipient shall pay all amounts required to be paid by it under the Development Grant Agreement in the currency specified in such agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

- (b) Wherever used in Section 4.02(c) and (e) of the General Conditions, the words “principal and service charges” are modified to read “amounts”.

- (c) Section 4.03 is modified to read as follows:

“Section 4.03. Amount of the Grant

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

- (d) Section 4.06(b) is modified to read as follows:

“(b) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without restrictions of any kind imposed by, or in the territory of, the Recipient.”

7. Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. Treatment of Taxes

Except as otherwise provided in the Development Grant Agreement, the proceeds of the Grant may be withdrawn to pay for taxes levied by, or in the territory of, the Recipient on the goods or services to be financed under the Grant, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Grant is excessive or otherwise unreasonable, the Association may, by

notice to the Recipient, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Grant Agreement as required to be consistent with such policy of the Association.”

8. Article VI is modified as follows:
 - (a) The word “credit” in paragraphs (a)(ii) and (c)(i) of Section 6.02 is replaced with the words “credit, grant or financing”.
 - (b) Section 6.03 (c) is modified by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

9. Section 8.01(a) is modified to read as follows:

“(a) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Recipient.”

10. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. *Termination of Development Grant Agreement.*
The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”