

CONFORMED COPY

CREDIT NUMBER 2807 VN

Development Credit Agreement

(Population and Family Health Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 26, 1996

CREDIT NUMBER 2807 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;

(B) the Borrower intends to contract from the Asian Development Bank (ADB) a loan (the ADB Loan) in an amount equivalent to forty one million dollars (\$41,000,000) to assist in financing Part B.1 of the Project in the Project Provinces listed as Part B in the Annex to Schedule 2 to this Agreement and the development of private sector participation in family planning and reproductive health services under Part A.4 of the Project, on the terms and conditions set forth in an agreement (the ADB Loan Agreement) to be entered into between the Borrower and ADB; and

(C) the Borrower intends to contract from the Kreditanstalt für Wiederaufbau (KfW) a grant (the KfW Grant) in the amount of thirty million Deutschemark (DM 30,000,000) to assist in financing a portion of the contraceptive commodities under Part A.3 of the Project, on the terms and conditions set forth in an agreement (the KfW Grant Agreement) to be entered into between the Government of the Borrower and KfW; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, 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 each Project Province;
- (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, and "Part A Provinces" means the provinces listed under Part A of said Annex;
- (g) "State Bank of Viet Nam" and the acronym "SBV" mean the Borrower's central bank, and any successor thereto; and
- (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 thirty three million six hundred

thousand Special Drawing Rights (SDR 33,600,000).

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 June 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 NCPFP and the Local Governments of the Project Provinces with due diligence and efficiency and in conformity with appropriate economic, financial, administrative, technical, health care and family planning practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the 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 sustainability of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower and of each 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 KfW Grant Agreement shall have failed to become effective by September 30, 1996, or (ii) the ADB Loan

Agreement shall have failed to become effective by March 31, 1997, 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:
 - (A) The right of the Borrower to withdraw the proceeds of the ADB Loan or of the KfW 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 ADB Loan Agreement, or the KfW Grant Agreement, as the case may be; or
 - (B) ADB Loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

- (a) the event specified in paragraph (a)(ii) of Section 5.01 of this Agreement shall occur; and
- (b) the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

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 has been established in accordance with the provisions of paragraph A.1.(a) of Schedule 4 to this Agreement;
- (b) the Project Executive Committee has been established in accordance with the provisions of paragraph A.1.(b) of Schedule 4 to this Agreement;
- (c) the Project Director shall have been appointed and the Project Management Unit shall have been established, all in accordance with the provisions of paragraph A.1(c) of Schedule 4 to this Agreement; and
- (d) a Provincial Project Manager shall have been appointed for each of the Provincial Project Management Units and the Provincial Project Management Units for each of the Part A Project Provinces shall have been established,

all in accordance with the provisions of paragraph A.2 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

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	4,030,000	90%
(2) Goods	15,300,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items pro- cured locally
(3) Allowances under Part B.2 of the Project	3,900,000	70%
(4) Operating costs	410,000	70%
(5) Consultants' services, training and studies other than for Part A.4 of the Project	7,190,000	100%
(6) Consultants' services, training and studies under Part A.4 of the Project	1,350,000	100%
(7) Unallocated	<u>1,420,000</u>	
TOTAL	33,600,000	

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;

(c) the term "Allowances" under Part B.2 of the Project means the expenditures incurred for honoraria to outreach workers in family planning and family health; and

(d) the term "Operating costs" means the expenditures incurred by training staff and Project management staff for:
(i) staff travel and subsistence allowances; (ii) supplies; and
(iii) communications; all calculated in accordance with procedures satisfactory to the Association.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 1,350,000, may be made in respect of Categories (1), (2), (4), (5) and (6) on account of payments made for expenditures before that date but after June 30, 1995; and

(b) Category 3 until the Borrower shall have furnished to the Association an action plan, satisfactory to the Association, for the carrying out of Part B.2 of the Project prepared on the basis of the results of the pilot testing of improved community based outreach systems for family planning and family health implemented under Part A.4 of the Project.

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, studies, operating costs and allowances under Part B of the Project; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in improving the health of the population of Viet Nam and achieving further reductions in fertility and population growth through: (a) an improved and increased utilization of family planning and related family health services; (b) enhancing NCPFP's management, planning and policy formulation capabilities; and (c) expanding the knowledge base upon which NCPFP and MOH policy and technical guidelines are to be formulated.

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

1. Strengthening and expanding the Borrower's integrated information, education and communication (IEC) program for family health and family planning, through the production, distribution and dissemination of relevant information and materials and training of IEC trainers and staff and of health care providers.

2. Strengthening the management, planning and policy formulation capabilities of NCPFP and, in each of the Project Provinces, the provincial and district committees for population and family planning and the commune population and family planning boards, including (a) the upgrading of management skills through the identification of skills and training needs, development of appropriate training curricula and training; (b) the upgrading of the family planning program management information systems (MIS) through the provision of computerized systems at the national and provincial levels, the upgrading of MIS at the district and commune levels, the development of MIS training curricula and training; and (c) strengthening the capabilities of the Borrower to manage, monitor and evaluate Project activities, including the provision of necessary office furniture, equipment and supplies, support of incremental operating costs and training

of project management staff.

3. Strengthening existing family planning services through the provision of contraceptive commodities.

4. Strengthening the capacity and quality of family planning and family health service delivery through the carrying out of studies, including an assessment of the acceptability and impact of introducing charges for the supply of contraceptives through the public family planning program, the development of private sector participation in family planning and reproductive health services, and the pilot testing of model interventions for service delivery, including pilot testings of improved community based outreach systems for family planning and family health.

Part B

1. Upgrading family planning and family health service programs, for each of the Project Provinces, in commune health centers, district health centers and provincial maternal and child health and family planning centers, through (a) the provision of furniture, equipment and vehicles, essential drugs and other medical supplies, the development of training curricula and the provision of training for trainers and commune, district and provincial level health care staff for all such centers; and (b) building renovations and extensions at selected commune health centers and at all district health centers and provincial maternal and child health and family planning centers.

2. Implementation of an improved community based outreach system for family planning and family health as warranted by the findings and results of the pilot testings undertaken under Part A.4 of the Project.

* * * *

The Project is expected to be completed by December 31, 2002.

Annex to Schedule 2

Project Provinces

Part A

Lam Dong
Dong Thap
Bac Thai
Hai Hung
Thua Thien Hue

Part B

Lao Cai
Nam Ha
Hai Phong
Dac Lac
Tuyen Quang
Lai Chau
Vinh Long
Thanh Hoa
Tra Vinh
Kien Giang

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.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$150,000 equivalent or more each.

(b) Preference for domestically manufactured goods

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 below, works shall be procured under contracts awarded in accordance with the provisions of Sections 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost \$150,000 equivalent or less per contract up to an aggregate amount not to exceed \$8,400,000 equivalent 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 estimated to cost \$25,000 equivalent or less per contract up to an aggregate amount not to exceed \$4,900,000 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 \$3,900,000 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 prequalify 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 Bank. 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:

- (a) a Project Steering Committee, chaired by a representative of NCPFP and with

representatives of MOF, MOH, MPI and SBV, assigned with such functions and responsibilities, satisfactory to the Association, as shall be required for the overall coordination and oversight of Project implementation;

- (b) a Project Executive Committee in NCPFP, chaired by the Chairman of NCPFP and composed of each of the directors of NCPFP's line departments and the Project Director referred to in subparagraph (c) of this paragraph, assigned with such functions and responsibilities, satisfactory to the Association, as shall be required for the provision of guidance on policy and technical issues that may arise in relation to the implementation of the Project; and
- (c) a Project Management Unit in NCPFP, headed by a Project Director with qualifications and experience satisfactory to the Association, with such functions, responsibilities, funds and competent staff in adequate numbers, satisfactory to the Association, as shall be required for the day-to-day implementation of the Project, including the preparation of Project reports, the maintenance of Project accounts, the implementation of goods procurement activities, and guidance to the Provincial Project Management Units referred to in subparagraph (b) of this paragraph.

2. The Borrower shall ensure that each Project Province shall establish and thereafter maintain at all times during the implementation of the Project a Provincial Project Management Unit, headed by a Provincial Project Manager with qualifications and experience satisfactory to the Association, with such functions, responsibilities, funds and competent staff in adequate numbers, satisfactory to the Association, as shall be required to monitor the implementation of the Project at the provincial level.

3. 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.

4. 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 benefiting under the Project, 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 identities distinct from those which constitute the predominant ethnic group in Viet Nam.

5. The Borrower shall take all such actions as shall be necessary to achieve by June 30, 1997, Project performance indicators acceptable to the Association. For such purpose, the Borrower shall: (a) undertake baseline surveys and studies, satisfactory to the Association; and (b) establish and maintain operational procedures, satisfactory to the Association, to adequately monitor and evaluate progress in the carrying out of

the Project, including the implementation of the strategy referred to in paragraph 4 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 family planning and family health in Viet Nam.

6. The Borrower shall:

(a) not later than June 30 and December 31 of each year, commencing on 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 by the Borrower pursuant to paragraph A.5 of this Schedule; and

(b) by December 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.5 of this Schedule that shall be required to further achieve the objectives of the Project. For such purposes the Borrower shall, in addition to the annual work program and budget referred to in paragraph A.7 of this Schedule, prepare and furnish to the Association by August 31, 1999, a comprehensive mid-term report of the activities undertaken under the Project.

7. 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 calendar year in a manner satisfactory to the Association.

8. 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 B.1 of the Project; and (b) essential drugs and medical supplies to be provided under Part B.1 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 Parts A.1, A.2 and B.1 of the Project

The Borrower shall (a) carry out the training under Parts A.1, A.2 and B.1 of the Project in accordance with a training program for each said Part of the Project acceptable to the Association; and (b) to that end, by no later than June 30, 1996, furnish to the Association for its review and comment a proposed time-bound action plan for each such training program.

C. Assessment under Part A. 4 of the Project

The Borrower shall: (a) by June 30, 1999, carry out a pilot scheme of contraceptive charges in accordance with terms of reference satisfactory to the Association; (b) by August 31, 1999, prepare a proposed action plan based on said pilot scheme; and (c) afford the Association a reasonable opportunity to exchange views with the Borrower on the results of such pilot scheme and proposed action plan at the time of the review referred to in subparagraph A.6 (b) of this Schedule 4; and (d) thereafter promptly carry out said action plan, taking into account the Association's comments thereon.

D. Studies and Pilot Testings under Part A.4 of the Project

1. For purposes of carrying out Part A.4 of the Project, the Borrower shall, by August 31, 1996, establish within NCPFP a service delivery model initiatives committee with qualified and experienced members and terms of reference satisfactory to the Association, which shall be responsible, inter alia, for soliciting or developing proposals for studies and pilot testings under said Part of the Project, reviewing and approving the funding of said proposals, and thereafter supervising their implementation.

2. With respect to each study or pilot testing to be carried out under Part A.4 of the Project, the Borrower shall, through said service delivery model initiatives committee:

(a) prepare and furnish to the Association for its approval the proposal for such study or pilot testing, as the case may be, of such scope and in such detail as the Association shall reasonably request; and

(b) ensure that such study or pilot testing, as the case may be, shall be carried out in accordance with the proposal, as so approved.

E. Commune Centers, District Health Centers and Provincial Maternal and Child Health and Family Planning Centers under Part B.1 of the Project

1. The Borrower shall select commune health centers to be upgraded under Part B.1 (b) of the Project in accordance with criteria acceptable to the Association.

2. The Borrower shall maintain the facilities of each commune health center, district health center and provincial maternal and child health and family planning center, upgraded under Part B.1 (b) 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, district healthcenter and provincial maternal and child health and family planning 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.

F. Improved Community Based Outreach Systems under Part B.2 of the Project

The Borrower shall implement in the Project Provinces the improved community based outreach system for family planning and family health system under Part B.2 of the Project in accordance with an action plan, satisfactory to the Association, prepared on the basis of the results of the pilot testings undertaken under Part A.4 of the Project.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4), (5) and (6) 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 \$2,000,000 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 \$800,000 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.

