

INTERIM FUND CREDIT NUMBER N005 KH

Interim Fund Development Credit Agreement

(Disease Control and Health Development Project)

between

KINGDOM OF CAMBODIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION as Administrator of the Interim Trust Fund established with funds contributed by certain members of the International Development Association pursuant to Resolution No. IDA 184 of the Board of Governors of the International Development Association

Dated March 26, 1997

INTERIM FUND CREDIT NUMBER N005 KH

INTERIM FUND DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 26, 1997, between KINGDOM OF CAMBODIA (the "Borrower") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association") as administrator (the "Administrator") of the interim trust fund (the "Interim Fund") established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 (the "Interim Fund Resolution") of the Board of Governors of the Association, adopted on June 26, 1996.

WHEREAS: (A) By the Interim Fund Resolution the Interim Fund has been established, constituted of the funds contributed by certain members of the Association and administered by the Association acting as Administrator of the Interim Fund, in accordance with the provisions of the Interim Fund Resolution;

WHEREAS: (B) The Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Administrator to assist in the financing of the Project through the provision of resources from the Interim Fund, and the Administrator has determined that such assistance would be in accordance with the provisions of the Interim Fund Resolution; and

WHEREAS: (C) The Administrator has agreed, on the basis, inter alia, of the foregoing, to extend the Interim Fund 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 term "Association", wherever used in the General Conditions means the International Development Association acting as Administrator of the Interim Fund referred to in the Preamble to this Agreement;

(b) The terms "Development Credit Agreement", "Credit" and "Credit Account", wherever used in the General Conditions, are amended to read "Interim Fund Development Credit Agreement", "Interim Fund Credit" and "Interim Fund Credit Account", respectively;

(c) A new paragraph, numbered 15, is added to Section 2.01 to read as follows:

"15. "Participating Country" means any country that meets the requirements set forth in Section 5(e) of Resolution No. IDA 184 of the Board of Governors of the Association, adopted on June 26, 1996, as determined by the Administrator from time to time; and "Participating Countries" means, collectively, all such countries;"

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

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

"Except as the Administrator 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 Participating Country 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 Administrator, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(f) In Sections 6.02 and 7.01 of the General Conditions, the term "Association" shall also mean the International Development Association acting in its own capacity.

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, wherever used in this Agreement, have the following meanings:

(a) "AIDS" means the acquired immune deficiency syndrome;

(b) "CENAT" means the Borrower's National Anti-Tuberculosis Center, established in the MOH;

(c) "CNM" means the Borrower's National Malaria Center, established in the MOH;

(d) "Fiscal Year" means the twelve (12)-month period corresponding to any of the Borrower's fiscal years, which period commences on January 1 and ends on December 31 in each calendar year, and the term "Fiscal Years" means, collectively, more than one (1) Fiscal Year;

(e) "Grants" mean grants made or proposed to be made by the Borrower, out of the proceeds of the Interim Fund Credit, to a Grantee to finance HIV and AIDS related services to be provided under Part A. 3 (e) of the Project to groups at high risk of contracting HIV and AIDS, in accordance with the provisions of Schedule 5 to this Agreement;

(f) "Grantee" means a non-governmental organization or a private entity to which the Borrower proposes to make, or has made, a Grant in accordance with the provisions of Schedule 5 to this Agreement;

(g) "Health Management Agreement" means the Health Management Agreement to be entered into between the MOH and each Province, referred to in sub-paragraph 3 (b) of Schedule 1 and in paragraph 1 of Schedule 4 to this Agreement, and such term includes all schedules to said Health Management Agreement;

(h) "HIV" means the human immunodeficiency virus;

(i) "MOH" means the Borrower's Ministry of Health, established pursuant to the Borrower's Royal Decree dated November 1, 1993;

(j) "PCU" means the Project Coordination Unit, referred to in Section 6.01 (a) of, and in paragraph 3 of Schedule 4 to, this Agreement;

(k) "PPUs" means the Provincial Project Units, referred to in Section 6.01 (B) of, and in paragraph 4 of Schedule 4 to, this Agreement, and the term "PPU" means, individually, any one of said PPUs;

(l) "Phase I Provinces" means the Borrower's provinces of Battambang, Kampot/Kep, Kandal, Kompong Speu, Phnom Penh, and Siem Reap;

(m) "Phase II Provinces" means the Borrower's provinces of Kompong Thom, Kratie, Pursat, and Rattanakiri;

(n) "Project Implementation Program" means the program for implementing the Project, referred to in Sections 3.01 (b) and 5.01 of, and set forth in Schedule 4 to, this Agreement;

(o) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated July 4, 1996, between the Borrower and the Association;

(p) "Province" means any one of the Phase I Provinces or Phase II Provinces;

(q) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(r) "STD" means a sexually transmitted disease, and the term "STDs" means, collectively, sexually transmitted diseases.

ARTICLE II

The Interim Fund Credit

Section 2.01. The Administrator agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Interim Fund Development Credit Agreement, an amount in various currencies equivalent to twenty million six hundred thousand Special Drawing Rights (SDR 20,600,000).

Section 2.02. (a) The amount of the Interim Fund Credit may be withdrawn from the Interim Fund Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Administrator 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 Interim Fund Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in United States dollars a special deposit account in the National Bank of Cambodia (the Borrower's Central Bank), or in a commercial bank acceptable to the Administrator, on terms and conditions satisfactory to the Administrator, including, in the case of a commercial bank, 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 6 to this Agreement.

(c) Promptly after the Effective Date, the Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund Credit Account and pay to the Association the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be March 31, 2002, or such later date as the Administrator shall establish. The Administrator 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 Interim Fund 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 (60) 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 Interim Fund 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 Interim Fund Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Interim Fund Credit in semiannual installments payable on each January 15 and July 15, commencing January 15, 2007, and ending July 15, 2036. Each installment to and including the installment payable on July 15, 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 seven hundred ninety dollars (\$790) in constant 1985 dollars for five (5) consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Administrator 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 Administrator 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 Administrator on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Administrator, 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 Administrator 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 the MOH with due diligence and efficiency and in conformity with appropriate administrative, financial, health, and technical practices, and shall provide, promptly as needed, the funds (including foreign exchange), 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 Administrator shall otherwise agree, the Borrower shall carry out the Project in accordance with the Project Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Administrator 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 Interim Fund 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 Administrator, and furnish to the Administrator 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 Administrator, a plan for the future operation of the Project; and

(b) Afford the Administrator 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 separate 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 (including, but without limitation, the MAFF) 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 Administrator;

(ii) Furnish to the Administrator, as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and

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

(c) For all expenditures with respect to which withdrawals from the Interim Fund 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 (1) year after the Administrator has received the audit report for the Fiscal Year in which the last withdrawal from the Interim Fund Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) Enable the Administrator'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 Administrator

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that the Borrower shall have failed to carry out the Project Implementation Program, or any part thereof.

ARTICLE VI

Effective Date; Termination;
Designation of Administrator

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

(a) That the Borrower shall have established the PCU and appointed its personnel, all in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement; and

(b) That the Borrower shall have established each of the PPU's for the Phase I Provinces and appointed each of said PPU's manager, all in accordance with the provisions of sub-paragraph 4 (a) 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.

Section 6.03. The obligations of the Borrower under Articles III, IV and V of this Agreement shall cease and determine on the date on which this Agreement shall terminate, or on the date twenty (20) years after the date of this Agreement, which ever shall be the earlier.

Section 6.04. In the event that the Executive Directors of the Association decide to terminate the functions of the Association as administrator of the Interim Fund, pursuant to Section 7 of the Interim Fund Resolution, all of the rights and obligations of the Administrator under this Agreement shall be assumed by the Association in accordance with the Interim Fund Resolution, and such decision of said Executive Directors, as of a date to be notified by the Administrator to the Borrower.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Economy and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Economy and Finance
Daun Penh Street
Sangkat Wat Phnom
Phnom Penh
Kingdom of Cambodia

Telex:

(855 23) 427-798

For the Association and the Administrator:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

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.

KINGDOM OF CAMBODIA

By /s/ Keat Chhon

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of the Interim Trust Fund established with funds contributed by certain members of the International Development Association pursuant to Resolution No. IDA 184 of the Board of Governors of the International Development Association

By /s/ Jean Michel-Severino

Regional Vice President
East Asia and Pacific Region

SCHEDULE 1

Withdrawal of the Proceeds of the Interim Fund Credit

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

Category	Amount of the Interim Fund Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	6,854,000	90%
(2) Goods (except medical equipment)	4,472,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Medical equipment	1,697,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(4) Consultants' services, training and studies	4,948,000	100%
(5) Operating costs	543,000	85%

(6)	Provincial supervision costs	68,000	85%
(7)	Grants	475,000	100% of Grant amount
(8)	Refunding of the Project Preparation Advance	1,000,000	Amount due pursuant to section 2.02 (c) of this Agreement
(9)	Unallocated	543,000	
	TOTAL	20,600,000	

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 "Operating costs" means expenditures by PCU personnel for travel, subsistence allowances, supplies and communications; and

(d) The term "Provincial supervision costs" means expenditures by PPU staff for travel, subsistence allowances, and supplies.

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; or (b) payments made for expenditures under Categories (1) and (3) set forth in the table in paragraph 1 of this Schedule, in respect of Part B of the Project, unless the MOH and the corresponding Province shall have entered into a Health Management Agreement, in form and substance acceptable to the Administrator, pursuant to the provisions of paragraph 1 of Schedule 4 to this Agreement.

4. The Administrator may require withdrawals from the Interim Fund Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) goods under contracts valued at less than the equivalent of one hundred thousand dollars (\$100,000) each; (ii) works under contracts valued at less than the equivalent of two hundred thousand dollars (\$200,000) each; (iii) contracts for the employment of consulting firms valued at less than the equivalent of one hundred thousand dollars (\$100,000) each; (iv) contracts for the employment of individuals valued at less than the equivalent of fifty thousand dollars (\$50,000) each; (v) overseas and local training; and (vi) Operating costs; all under such terms and conditions as the Administrator shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to: (i) reduce death and sickness from preventable diseases, especially malaria, tuberculosis, HIV and AIDS; and (ii) rehabilitate its health system infrastructure, so as to deliver basic health services and disease control programs more effectively down to the community level.

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: National Program Support

1. National Tuberculosis Program

(a) Improvement of the quality and accessibility of tuberculosis services in selected health centers and referral hospitals, including provision of laboratory equipment, reagents and supplies.

(b) Strengthening of CENAT's institutional capacity through:

- (i) Local and international training of CENAT staff in drug treatment and tuberculosis program supervision;
- (ii) Renovation and upgrading of CENAT offices, including provision of office equipment and vehicles; and
- (iii) Provision of technical assistance.

(c) Carrying out of epidemiological surveys, including provision of related equipment.

2. Malaria Control Program

(a) Improvement of the access by patients to early and accurate medical diagnosis, and the prompt and effective treatment of malaria, including provision of laboratory equipment to selected health centers and referral hospitals.

(b) Expansion of the community-level use of insecticide-treated mosquito bednets, through:

- (i) provision of bednets, insecticide and related equipment for bednet treatment;
- (ii) carrying out a pilot social marketing program to test the feasibility of bednet distribution through commercial channels;
- (iii) provision of vehicles;
- (iv) provision of training to malaria control program staff on the treatment and use of bednets;
- (v) preparation and dissemination of information, education and communication materials; and
- (vi) conducting operations research on alternative cost effective personal protection methods.

(c) Strengthening of CNM's capacity to manage, supervise and monitor the Borrower's national malaria control program through:

- (i) staff training in malaria treatment and control, including scholarships abroad;
- (ii) renovation and upgrading of facilities, including provision of office equipment and vehicles; and
- (iii) provision of technical assistance.

(d) Carrying out of selected evaluation and research studies on malaria related subjects.

3. HIV and AIDS Program

(a) Institutional Development

- (i) Strengthening of the Borrower's National AIDS Office in the MOH, through the provision of equipment, supplies, staff training, and technical assistance.
- (ii) Strengthening of the Borrower's provincial HIV and AIDS programs, through the provision of equipment, vehicles, supplies and training to provincial health directorates.

(b) Prevention Programs

- (i) Provision of technical assistance to the Borrower's National AIDS Office in the MOH in the preparation of communication strategies for information and education on AIDS, and for the dissemination of public information on AIDS.
- (ii) Strengthening of the Borrower's blood banking services through:

(A) provision of testing reagents for HIV screening to blood transfusion centers; (B) provision of training in counseling to staff of the National Blood Transfusion Center; (C) establishment of about eight (8) provincial blood transfusion centers; and (D) provision of technical assistance.

(iii) Expansion of the Borrower's National AIDS Office's outreach program to raise AIDS awareness throughout the Borrower's territory, including the provision of vehicles, supplies, training for outreach workers and peer educators, and condoms to STD clinics and outreach programs.

(c) Treatment Program for STDs

(i) Strengthening of the Borrower's National Center for Dermatology and Venereology, through the expansion and upgrading of the central laboratory, and training of central, provincial and district health staff in the syndromic diagnosis and management of STDs.

(ii) Establishment of about five (5) STD provincial referral clinics.

(d) Monitoring, Research and Evaluation

Carrying out of studies and operational research on AIDS.

(e) HIV/AIDS Services

Provision of Grants for services by non-governmental organizations and private entities to support activities for the prevention of HIV and AIDS.

PART B: Health Services Strengthening

1. (a) Construction of about one hundred seventy-three (173) health centers; (b) rehabilitation of about fifty-seven (57) health centers, eight (8) basic referral hospitals (without major surgical or radiological facilities) and eighteen (18) full referral hospitals (with major surgical and radiological facilities) in the Borrower's Phase I and Phase II Provinces; and (c) provision of related equipment and furniture.

2. Provision of essential drugs to health centers and referral hospitals throughout the Borrower's territory to support priority primary health care interventions and disease control programs.

3. Construction and renovation of facilities at the MOH and the Borrower's Department of Pharmacy, including provision of office equipment, communication equipment, fellowships and technical assistance.

4. Carrying out of a baseline survey to establish current health status and performance indicators.

5. Commissioning of health centers constructed under the Project, and training of health center staff in the delivery and management of health services.

6. Provision of in-service training for about two (2) surgeons/obstetricians and one (1) anesthetist from the full referral hospitals upgraded under the Project.

* * * * *

The Project is expected to be completed by September 30, 2001.

SCHEDULE 3

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: General

Subject to the eligibility restrictions set forth in Section III of this Schedule, 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 and revised in January 1996" (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 and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works 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 and works shall be grouped in bid packages estimated to cost the equivalent of one hundred thousand dollars (\$100,000) or more each.

(b) Preference for Domestic Manufacturers and Domestic Contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and to works to be carried out by domestic contractors.

(c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost the equivalent of ten million dollars (\$10,000,000) or more each shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods (except drugs) estimated to cost the equivalent of one hundred thousand dollars (\$100,000) or less per contract, up to an aggregate amount not to exceed the equivalent of one million six hundred thousand dollars (\$1,600,000), and civil works estimated to cost more than the equivalent of one hundred thousand dollars (\$100,000) per contract, up to an aggregate amount not to exceed the equivalent of seven million nine hundred thousand dollars (\$7,900,000), may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods (except drugs) estimated to cost the equivalent of twenty-five thousand dollars (\$25,000) or less per contract, up to an aggregate amount not to exceed the equivalent of two hundred thousand dollars (\$200,000), and civil works estimated to cost the equivalent of one hundred thousand dollars (\$100,000) or less but more than the equivalent of fifty thousand dollars (\$50,000) per contract, up to an aggregate amount not to exceed the equivalent of three million seven hundred thousand dollars (\$3,700,000), may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Miscellaneous materials and supplies estimated to cost the equivalent of twenty-five thousand dollars (\$25,000) or less per contract, up to an aggregate amount equivalent to one hundred eighty thousand dollars (\$180,000), and civil works estimated to cost the equivalent of fifty thousand dollars (\$50,000) or less per contract, up to an aggregate amount not to exceed the equivalent of three hundred thousand dollars (\$300,000), may be procured, with the Administrator's prior agreement, under contracts in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Administrator of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Administrator 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 Administrator, and with the provisions of said paragraph 1

2. Prior Review

With respect to (i) each contract for goods estimated to cost the equivalent of one hundred thousand dollars (\$100,000) or more and (ii) each contract for civil works estimated to cost the equivalent of two hundred thousand dollars (\$200,000) or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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 Consultants by 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 thereto as shall have been agreed by the Administrator. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Administrator shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Administrator 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 the equivalent of one hundred thousand dollars (\$100,000) each, or (b) contracts for the employment of individual consultants estimated to cost less than the equivalent of fifty thousand dollars (\$50,000) each. However, said exceptions to prior Administrator 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 Administrator; (d) amendments to contracts for the employment of consulting firms raising the contract value to the equivalent of one hundred thousand dollars (\$100,000) or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to the equivalent of fifty thousand dollars (\$50,000) or above.

Section III. Eligibility Restrictions

1. Notwithstanding the provisions of paragraph 1.6 of the Guidelines, the proceeds of the Interim Fund Credit may only be withdrawn on account of expenditures for goods and works provided by nationals of, and produced in or supplied from, Participating Countries; consequently, nationals of countries that are not Participating Countries and bidders offering goods and works from such countries shall be disqualified from bidding for such contracts, and the bidding documents shall so specify.

2. Notwithstanding the provisions of paragraph 1.02 of the Consultant Guidelines, only consultants from Participating Countries shall be eligible to provide services financed out the proceeds of the Interim Fund Credit.

SCHEDULE 4

Implementation Program

1. The Borrower shall, through MOH, enter into a Health Management Agreement with each Province under terms and conditions acceptable to the Administrator, and thereafter, not later than December 31 in each Fiscal Year and until the completion of the Project, the Borrower shall take all measures necessary to ensure that each of said agreement is updated annually in such scope and detail as the Administrator may reasonably require.

2. The Borrower shall:

(a) Not later than June 30, 1997, prepare and furnish to the Administrator for approval the Project supervision arrangements to be entered into between the

Borrower and each Province.

(b) Not later than September 30, 1997, enter into a Project supervision agreement, satisfactory to the Administrator, with each of the Phase I Provinces; and

(c) Not later than September 30, 1998, enter into a Project supervision agreement, satisfactory to the Administrator, with each of the Phase II Provinces.

3. The Borrower shall maintain, until completion of the Project, the PCU in the MOH, with terms of reference and resources as shall be satisfactory to the Administrator, and with competent staff in adequate numbers, including: (i) a manager; (ii) a finance and administration unit chief; (iii) a World Bank operations unit chief; and (iv) a construction manager in said World Bank operations unit, all acceptable to the Administrator. The PCU shall be responsible for, inter alia, coordinating and supervising the overall implementation of the Project.

4. The Borrower shall establish and thereafter maintain until completion of the Project:

(a) A PPU in each of the Phase I Provinces, with competent staff in adequate numbers, including a PPU director; and

(b) Not later than September 30, 1997, a PPU in each of the Phase II Provinces, with competent staff in adequate numbers, including a PPU director.

5. The Borrower shall, not later than November 30 in each Fiscal Year, commencing November 30, 1996 and until completion of the Project, furnish to the Administrator for approval the annual work program and related budget for Project implementation activities.

6. In carrying out Part A.2 (b) of the Project, the Borrower shall:

(a) Not later than January 31, 1997, furnish to the Administrator for comments a social marketing and bednet treatment and distribution strategy, including a cost-recovery proposal and proposed action plan; and

(b) Thereafter, promptly carry out such action plan, taking into account the Administrator's comments thereon.

7. In carrying out Part A.3 of the Project, the Borrower shall, not later than September 30, 1997:

(a) Take all measures necessary to upgrade the National AIDS Office to a department within the MOH; and

(b) Appoint an administrative officer and a financial officer to the National AIDS Office.

8. In carrying out Part A.3 (e) of the Project, the Borrower shall: (a) make Grants to Grantees in accordance with the procedures and on the conditions set forth or referred to in Schedule 5 to this Agreement; and (b) not later than January 31, 1997, appoint an HIV/AIDS Project Grant Committee, with responsibilities and membership satisfactory to the Administrator, charged with reviewing and approving proposals for Grants submitted by prospective Grantees.

9. Not later than December 31, 1997, furnish to the Administrator, for its approval, a performance evaluation report on the results achieved in implementing Part A.3 (b) (iii) of the Project, and any recommendation for the additional financing thereof.

10. In carrying out Part B of the Project, the Borrower shall:

(a) Not later than September 30, 1997, appoint technical facilities managers in the provincial health directorates in each of the Phase I Provinces, to be responsible for the maintenance of upgraded facilities within said Provinces;

(b) Not later than September 30, 1998, appoint technical facilities managers in the provincial health directorates in each of the Phase II Provinces, to be responsible for the maintenance of upgraded facilities within said Provinces; and

(c) Take all measures necessary to ensure that upgraded health centers and referral hospitals have competent staff in adequate numbers with appropriate

resources.

11. In carrying out Part B of the Project, the Borrower shall:

(a) Not later than March 31, 1997, implement a national in-service training strategy, satisfactory to the Administrator; and

(b) Not later than March 31, 1997, furnish to the Administrator for comments a time-bound action plan for the training of health staff at the health centers and referral hospitals upgraded under the Project; and, promptly thereafter, carry out such plan taking into account the Administrator's comments thereon.

12. In carrying out Part B.1 of the Project, the Borrower shall select health centers and referral hospitals in accordance with criteria acceptable to the Administrator.

13. In carrying out Part B.1 of the Project, the Borrower shall:

(a) Not later than December 31, 1996, establish arrangements, acceptable to the Administrator, for the contracting, supervision, and payment of contractors for the carrying out of the civil works in the Phase I Provinces; and

(b) Not later than December 31, 1997, establish arrangements, acceptable to the Administrator, for the contracting, supervision, and payment of contractors for the carrying out of the civil works in the Phase II Provinces.

14. In carrying out Part A.1 of the Project, the Borrower shall, through the MOH, take all measures necessary to ensure that minimal patient food supplements are provided, on a timely and regular basis, to all hospitalized tuberculosis patients admitted to its national health facilities, so as to assure a high rate of chemotherapy compliance.

15. Not later than January 31, 1997, the Borrower shall, through the MOH, implement a national policy, satisfactory to the Administrator, on charging and collecting fees from patients for services rendered at its national health facilities.

16. Commencing in January 1998, and until completion of the Project, the Borrower shall conduct a program for the random audit of Health Management Agreements, so as to assess the progress achieved in their implementation, and shall furnish to the Administrator quarterly reports on said audits, of such scope and in such detail as the Administrator shall reasonably require.

17. The Borrower 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 Administrator, the carrying out of the Project and the achievement of the objectives thereof;

(b) Prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator not later than June 30 and December 31 in each Fiscal Year, commencing Fiscal Year 1997, semi-annual reports on the progress achieved by the Borrower in implementing the Project;

(c) Prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, not later than March 31, 1999, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph, 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

(d) Review with the Administrator, not later than June 30, 1999, or such later date as the Administrator shall request, the report referred to in sub-paragraph (c) above, and, promptly 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 Administrator views on the matter.

18. The Borrower shall:

(a) Not later than June 30, 2001, carry out a final evaluation survey of the

Project in accordance with the indicators agreed with the Administrator; and

(b) Not later than March 31, 2002, furnish the results of the survey to the Administrator for comments.

SCHEDULE 5

Procedures and Conditions for Grants Under Part A.3 (e) of the Project

1. Each Grant shall be made by the Borrower only:

(a) To a Grantee which shall have established, to the satisfaction of the Borrower, acting through its National AIDS Office, on the basis of criteria and procedures, acceptable to the Administrator, and that said Grantee: (i) has the organization, management, staffing and other resources required for the efficient carrying out of the services; and (ii) has prepared an acceptable plan, including satisfactory terms of reference, for the carrying out of the services; and

(b) For services which are determined by the Borrower, acting through its National AIDS Office, on the basis of guidelines acceptable to the Administrator: (i) to be technically feasible and cost-effective; and (ii) to have been designed in accordance with appropriate health and educational standards.

2. Grants shall be made on terms whereby the Borrower shall obtain, through a written agreement with each of the Grantees, rights adequate to protect the interests of the Borrower and the Administrator, including the right to inter alia:

(a) Require the Grantee to carry out the services with due diligence and efficiency and in accordance with sound financial, health, educational and managerial standards and to maintain adequate records and accounts;

(b) Require that: (i) the goods and services required and to be financed out of the proceeds of the Interim Fund Credit shall be procured in accordance with the provisions of Schedule 3 to this Agreement; and (ii) such goods shall be used exclusively in the carrying out of the services;

(c) Inspect, by itself or jointly with representatives of the Administrator if the Administrator shall so request, such goods and any relevant facilities, installations, records and documents;

(d) Obtain all such information as the Borrower and the Administrator shall reasonably request relating to the foregoing and to the benefits to be derived from the services; and

(e) Suspend or terminate the right of the Grantee to the use of the proceeds of the Interim Fund Credit upon failure by such Grantee to perform its obligations under its agreement with the Borrower providing for the Grant, and to otherwise require the Grantee to promptly and fully reimburse to the Borrower any part of the proceeds of the Grants that shall have been misused by the Grantee.

SCHEDULE 6

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 Interim Fund 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 one million five hundred thousand dollars (\$1,500,000) to be withdrawn from the Interim Fund Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Administrator shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to five hundred thousand dollars (\$500,000) until the aggregate amount of withdrawals from the Interim Fund Credit Account plus the total amount of all outstanding special

commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of six million Special Drawing Rights (SDR 6,000,000).

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 Administrator 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 Administrator 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 Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund 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 Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Administrator 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 Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund 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 Administrator from the Interim Fund 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 Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into the Special Account:

(a) If, at any time, the Administrator shall have determined that all further withdrawals should be made by the Borrower directly from the Interim Fund 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 Administrator, 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 Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) If, at any time, the Administrator 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 Interim Fund Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) Once the total unwithdrawn amount of the Interim Fund Credit allocated to the Eligible Categories, minus the total amount of all outstanding special commitments entered into by the Administrator 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 Interim Fund Credit Account of the remaining unwithdrawn amount of the Interim Fund Credit allocated to the Eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Administrator 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 Administrator 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 Administrator, the Borrower shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator 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 Administrator 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 Administrator, refund to the Administrator such outstanding amount.

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

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

