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CONFORMED COPY

LOAN NUMBER 4760 RO

Loan Agreement

(Health Sector Reform Project -- Phase II)

between

ROMANIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated January 28, 2005



LOAN NUMBER 4760 RO

LOAN AGREEMENT

AGREEMENT, dated January 28, 2005, between ROMANIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received letters dated July 15, 1999, February 16, 2000 and October 25, 2004 from the Borrower describing a two-phased program of policies and actions (the Program) designed to achieve reforms in the Borrower's health sector;

(B) the Borrower has requested the Bank to support the execution of the two phases of the Program through extension to the Borrower of Loans up to the equivalent of sixty million Dollars (\$60,000,000) over a period of five (5) years;

(C) the first phase of the Program has been supported by the Bank through a loan in an amount equal to \$40,000,000 pursuant to a loan agreement (4568-RO) dated July 7, 2000, between the Borrower and the Bank;

(D) in order to assist in financing of the Project, the Borrower intends to obtain from the European Investment Bank (EIB) a loan equivalent to EUR 66,400,000 (the EIB Loan) on the terms and conditions set forth in an agreement to be entered into between the Borrower and EIB (the EIB Loan Agreement);

(E) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), which forms the second phase of the Program, has requested the Bank to assist in the financing of the Project; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004) (the General Conditions) constitute an integral part of this Agreement.

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) “Administration Agreement” means the agreement to be entered between the Borrower, through MOH, and a Sub-loan Service Provider pursuant to paragraph 2(d) of Schedule 5 to this Agreement in accordance with the provisions of the Operational Manual;

(b) “Beneficiary” means a family doctor or a family doctors’ association providing medical services in selected areas (including, but not limited to, rural areas), which is eligible, in accordance with the criteria set forth in the Operational Manual, to receive a Sub-loan under Part C.2 of the Project;

(c) “Environmental Management Plan” means the plan, satisfactory to the Bank, prepared and adopted by the Borrower, providing for the environmental impacts of the Project and proposed mitigation measures;

(d) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(e) “MOH” means the Ministry of Health of the Borrower, or any legal successor thereto;

(f) “MPHCs” means Multipurpose Health Centers or any legal successors thereto;

(g) “NHIH” means National Health Insurance House established pursuant to the Law 145 dated July 24, 1997, as amended, or any legal successor thereto;

(h) “Operational Manual” means a manual adopted by the Borrower setting forth the eligibility criteria for Sub-projects, Beneficiaries and Sub-loan Service Providers, and operational, financial and administrative procedures for provisions of Sub-loans under Part C.2 of the Project, as such manual may be amended from time to time upon agreement between the Borrower and the Bank;

(i) “PMU” means the Project Management Unit established under MOH;

(j) “Procurement Plan” means the Borrower’s procurement plan, dated October 28, 2004 covering the initial eighteen (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation;

(k) “Special Account” means the account referred to in Schedule 6 to this Agreement;

(l) “Sub-loan” means a loan made or proposed to be made to an eligible Beneficiary under Part C.2 of the Project and to be financed out of the proceeds of the Loan;

(m) “Sub-loan Service Provider” means an entity eligible, in accordance with the criteria set forth in the Operational Manual, to provide Sub-loans to Beneficiaries under Part C.2 of the Project;

(n) “Sub-project” means a specific project under Part C.2 of the Project, which is proposed to be carried out by a Beneficiary utilizing a Sub-loan;

(o) “Sub-loan Fund” means a fund referred to in paragraph 2(c) of Schedule 5 to this Agreement; and

(p) “Sub-loan Agreement” means an agreement to be entered into between a Sub-loan Service Provider and a Beneficiary pursuant to paragraph 2 (e) of Schedule 5 to this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to sixty-five million one hundred thousand Euro (EUR 65,100,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or if the Bank shall so agree, to be paid) by the Borrower on account of withdrawals to be made by Beneficiaries under a Sub-loan to meet the reasonable cost of goods, works and services required for Sub-projects in respect of which the withdrawal from the Loan Account is requested; and (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in Euro a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. On or promptly after the Effective Date, the Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) “Interest Period” means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.
- (iii) “LIBOR Base Rate” means, for each Interest Period, the London interbank offered rate for six-month deposits in Euro for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent ($3/4$ of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months’ notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on February 15 and August 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project through MOH with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, environmental and health care practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower, acting through MOH, shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

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

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 Bank, and furnish to the Bank not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower, acting through MOH, and the Bank, a plan for the future operation of the Project; and

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

ARTICLE IV

Financial Covenants

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

(b) The Borrower, acting through MOH, shall:

- (i) commencing with the fiscal year in which the Effective Date falls, to and including the fiscal year in which the last withdrawal from the Loan is made, have the financial statements referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

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

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Schedule 5 to this Agreement, the Borrower through MOH shall prepare and furnish to the Bank a Financial Monitoring Report (FMR), in form and substance satisfactory to the Bank, which:

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

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

ARTICLE V

Remedies of the Bank

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

(a) The EIB Loan Agreement shall have failed to become effective by May 31, 2005, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank 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; and

(b) (i) Subject to subparagraph (ii) of this paragraph: (A) the right of the Borrower to withdraw the proceeds of the EIB Loan shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the EIB Loan Agreement, or (B) such 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 Bank 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.

(c) the Operational Manual shall have been amended, suspended, abrogated or waived without the Bank's prior consent.

ARTICLE VI

Termination

Section 6.01. The date one hundred fifty (150) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Public 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 Public Finance
17, Apolodor Street
Bucharest
Romania

Telex:	Facsimile:
11239	401 312 6792

For the Bank:

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

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

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

ROMANIA

By /s/ Ionel Popescu
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Anand Seth
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Euro)</u>	<u>% of Expenditures to be Financed</u>
(1) Dispatch equipment	13,500,000	100% of foreign expenditures, 100% of local expenditures (ex-factory) and 80% of local costs for other items procured locally
(2) Goods (other than dispatch equipment)	40,850,000	100% of foreign expenditures, 100% of local expenditures (ex-factory) and 80% of local costs for other items procured locally
(3) Consultant's services (including audit)	3,520,000	75% of expenditures incurred by local consultants; and 85% of expenditures incurred by foreign consultants
(4) Training	1,500,000	100% of foreign expenditures and 75% of local expenditures

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Euro)</u>	<u>% of Expenditures to be Financed</u>
(5) Sub-loans under Part C.2 of the Project	4,000,000	100%
(6) Works	830,000	80%
(7) Operating costs	800,000	45%
(8) Unallocated	<u>100,000</u>	
TOTAL	<u>65,100,000</u>	

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 “local consultants” means individuals who are the Borrower’s nationals and are legal residents on the territory of the Borrower for taxation purposes, and companies registered as Romanian legal entities under applicable laws of the Borrower;

(d) the term “foreign consultants” means individual consultants and consulting firms who are not “local consultants” as defined in sub-paragraph (c) of this paragraph; and

(e) the term “operating costs” means incremental operating costs incurred by the PMU on account of Project implementation, including staff salaries (other than public servants), office supplies, fuel and insurance for vehicles, communication expenses and travel expenditures of the PMU staff.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made: (a) in respect of payments made under Categories (1) through (7) set forth in the table in paragraph 1 to this Schedule until the fee referred to in Section 2.04 of the

Agreement has been paid; and (b) in respect of payments made under Category (5) until the Operational Manual, satisfactory to the Bank, has been approved by the Borrower, and an Administration Agreement has been executed between MOH and a respective Sub-loan Service Provider with respect to a Sub-loan Fund for which the Borrower has requested a withdrawal from the Loan Account.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods and works under contracts costing less than EUR 100,000 equivalent each; (b) consultants' services under contracts with consulting firms costing less than EUR 100,000 equivalent each; (c) consultants' services under contracts with individual consultants costing less than EUR 50,000 equivalent each, and (d) Sub-loans; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The Project constitutes second phase of the Borrower's Program which aims at lowering morbidity and premature deaths, providing equitable access to health services and improving efficiency of the health sector. The objective of the Project is to provide more accessible services of increased quality and with improved health outcomes for those requiring maternity and newborn care, emergency medical care and rural primary health care.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Maternity and Neonatal Health Care

Rehabilitation of maternity and neonatal health care units and provision of medical equipment, technical assistance and training to the staff in modern obstetrical, gynecology and neonatal service delivery.

Part B: Emergency Care Services

1. Upgrading of emergency rooms in selected hospitals through provision of works, medical and other equipment and training.
2. Upgrading and implementation of integrated automated emergency medical dispatch system capability, including in the hospital emergency areas.

Part C: Primary Health Care and Rural Medical Services

1. Provision of works, furniture, medical and other equipment, technical assistance and training for the establishment of MPHCs in selected counties.
2. Provision of Sub-loans to eligible Beneficiaries for Sub-projects required for improvement of the family doctor practices, and provision of training.

Part D: National Health Accounts and Planning

1. Strengthening the MOH's capacity to develop National Health Accounts.
2. Strengthening the capacity of MOH, District Public Health Directorates and hospitals to develop financial proposals for projects and programs in the health sector.

Part E: Project Management

Provision of technical assistance, training and goods, including vehicles, and operating costs to assist MOH and PMU in Project management and implementation.

* * *

The Project is expected to be completed by June 30, 2009.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	Payment of Principal (Expressed in <u>Euro</u>)*
On each February 15 and August 15 beginning August 15, 2010 through August 15, 2021	2,715,000.00
and on February 15, 2022	2,655,000.00

* The figures in this column represent the amount in Euro to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Procurement

Section I. General

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

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

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

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

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

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than EUR 300,000 equivalent per contract and works estimated to cost less than EUR 3,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding pursuant to the provisions of paragraphs 3.3 and 3.4 of the Procurement Guidelines.

2. Shopping. Goods estimated to cost less than EUR 80,000 equivalent per contract and works estimated to cost less than EUR 80,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. Community Participation. Goods, works and services to be financed from Sub-loans under Part C.2 of the Project may be procured in accordance with paragraph 3.17 of the Guidelines and the procedures set forth in the Operational Manual.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than EUR 200,000 equivalent per contract may comprise entirely national consultants.

B: Other Procedures

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

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than EUR 200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

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

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances

described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for goods, works and services (other than consultants' services) procured on the basis of International Competitive Bidding or Direct Contracting, (b) the first two contracts for goods and the first two contracts for works procured on the basis of National Competitive Bidding; (c) the first two contracts procured on the basis of Shopping; and (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of EUR 100,000 or more, or for individual consultants estimated to cost the equivalent of EUR 50,000 or more. All other contracts shall be subject to Post Review by the Bank.

SCHEDULE 5

Implementation Program

1. The Borrower shall assign responsibility for Project implementation to MOH which shall:

(a) maintain the PMU with such staff and resources as shall be required for the PMU to perform its duties in respect of the overall management and implementation of the Project;

(b) not later than May 31, 2005, establish a unit in each of the eight District Public Health Directorates, to support the PMU in implementation of Project activities at the local level; and

(c) not later than May 31, 2005, establish Project Steering Committees for each Part of the Project comprising senior managers of MOH and other institutions, which shall be responsible for general advice and support for Project activities.

2. For the purposes of carrying out Part C.2 of the Project, the Borrower through MOH shall:

(a) not later than September 30, 2005, establish an Evaluation Committee within MOH for appraising and selecting eligible Sub-projects and Beneficiaries in accordance with the procedures established in the Operational Manual;

(b) select Sub-loan Service Providers in accordance with the eligibility criteria and procedures set forth in the Operational Manual and in accordance with the provisions of Section III.A of Schedule 4 to this Agreement;

(c) authorize each selected Sub-loan Service Provider to establish a revolving fund for provision of Sub-loans under Part C.2 of the Project (the Sub-loan Fund), which fund shall be replenished through withdrawals from the Loan Account from time to time, in accordance with the terms and procedures set forth in the Operational Manual;

(d) enter into an Administration Agreement with each Sub-loan Service Provider, under terms and conditions set forth in the Operational Manual and which shall have been approved by the Bank;

(e) cause each Sub-loan Service Provider to provide Sub-loans to selected Beneficiaries on the basis of a Sub-loan Agreement to be entered into between the respective Sub-loan Services Provider and a Beneficiary, on terms and conditions set forth in the Operational Manual; and

(f) not amend, abrogate or terminate any provisions of the Operational Manual without the Bank's prior agreement.

3. The Borrower, through MOH, shall ensure that all measures necessary for carrying out of the Environmental Management Plan shall be taken in a timely manner.

4. The Borrower, acting through MOH, shall:

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

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 31, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by June 30, 2007, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1) through (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works, services and Sub-loans required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means the amount of EUR 2,000,000 in respect of the Special Account to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
 - (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the

basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, 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 Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank 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 Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts

remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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