

CONFORMED COPY

LOAN NUMBER 3905 IND

Loan Agreement

(Fourth Health Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 11, 1995

LOAN NUMBER 3905 IND

LOAN AGREEMENT

AGREEMENT, dated July 11, 1995, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, 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" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account

of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(c) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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

(a) "BAPELKES" means a provincial health in-service training center;

(b) "FY" and "Fiscal Year" mean the Borrower's fiscal year commencing April 1 and ending March 31;

(c) "Provincial Statement" means the Statement of Provincial Government Support for the Fourth Health Project by the Governors of the Participating Provinces dated April 13, 1995;

(d) "Participating Provinces" means the Borrower's provinces of East Kalimantan, West Nusa Tenggara, East Java, West Kalimantan, and West Sumatra;

(e) "Program Development" means the Borrower's program of providing resources for the formulation and testing of innovative schemes in the health sector, and "Program Development Expenditures Operating Guidelines" means the Guidelines referred to in paragraph 2 of Schedule 5 to this Agreement;

(f) "PUSDIKLAT" means the Borrower's Center for Education and Training of Health Personnel;

(g) "Quality Assurance" means the program established under the Project to improve technical competence, client satisfaction, efficiency, effectiveness, coverage and access to basic health services;

(h) "Special Assistance Funds" means the Borrower's program of providing discretionary resources to health centers and health districts for the financing of expenditures for health service improvements, and "Special Assistance Funds Operating Guidelines" means the Guidelines referred to in paragraph 3 of Schedule 5 to this Agreement;

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

(j) "Statement of Policy" means the Fourth Health Project Policy Statement by the Borrower's Ministry of Health dated April 13, 1995; and

(k) "Third Health Project" means the project described in Schedule 2 to the Loan Agreement (Third Health Project) between the Borrower and the Bank, dated June 1, 1989.

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, various currencies that shall have an aggregate value equivalent to the amount of eighty eight million dollars (\$88,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 expenditures made (or, if the Bank 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 Loan.

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

Section 2.03. The Closing Date shall be March 31, 2001, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. 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 2.05. (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 the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(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 Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semi-annually on March 1 and September 1 in each year.

Section 2.07. 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 as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through its Ministry of Health with due diligence and efficiency and in conformity with appropriate administrative, financial, health and training 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 shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. 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.

Section 3.03. Without limitation upon the provisions of Article IX of the General Conditions, 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 after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the continuation of the relevant activities under the Project;

(b) afford the Bank a reasonable opportunity to exchange

views with the Borrower on said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Bank's comments thereon.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower 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 Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six 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 Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall 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 shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special 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.

ARTICLE V

Termination

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
c/o Directorate General of Budget
Jalan Lapangan Banteng Timur 2-4
P. O. Box 2458
Jakarta 10710
Indonesia

Cable address:

FINMINISTRY
Jakarta

Telex:

45799 DJMLN-IA
44319 DEPKEU-IA

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:

INTBAFRAD
Washington, DC

Telex:

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

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.

REPUBLIC OF INDONESIA

By /s/ Darmosutanto Budiman
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Marianne Haug
Acting Regional Vice President
East Asia and Pacific

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:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works under Part A.1 of the Project	20,300,000	91%
(2) Equipment (except vehicles) and furniture	8,900,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(3) Overseas fellowships	6,600,000	100%
(4) Training and workshops	3,600,000	100%
(5) Program Development under Part B.4 (b) of the Project	4,700,000	91%
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(6) Special Assistance under Parts A.2 and B.4 (b) of the Project:		100%
(a) incurred in FY 1995/96 and in FY 1996/97	3,000,000	
(b) incurred in FY 1997/98 and in FY 1998/99	6,500,000	
(c) incurred in FY 1999/2000 and thereafter	3,600,000	
(7) Project management support	4,900,000	100%
(8) Incremental operating costs:		100%
(a) incurred in FY 1995/96 and in FY 1996/97	4,500,000	
(b) incurred in FY 1997/98 and in FY 1998/99	7,600,000	
(c) incurred in FY 1999/2000 and thereafter	3,500,000	
(9) Consultants' services and studies	6,100,000	100%

(10)	Unallocated	4,200,000
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	TOTAL	88,000,000

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term "Civil works" under Category (1) means civil works carried out under the Project and not financed by the Borrower's sectoral development grant to regional governments (INPRES);

(d) the term "Program Development" means expenditures for health services and consultants' services, including related goods, as set forth in the Program Development Expenditures Operating Guidelines;

(e) the term "Special Assistance" means expenditures for goods and services as set forth in the Special Assistance Funds Operating Guidelines, the financing of the total annual expenditure by the Bank being not more than (i) 75% in FY1995/96 and FY1996/97, (ii) 50% in FY1997/98 and FY1998/1999, and (iii) 25% in FY1999/2000 and thereafter;

(f) the term "Project management support" means expenditures for the operation of the central, provincial and district Project implementation units, including travel allowances, office costs, and administrative support; and

(g) the term "incremental operating costs" means expenditures for the operation and maintenance of provincial facilities, district health offices, and health facilities providing basic health services, the financing of the total annual incremental cost by the Bank being not more than (i) 75% in FY1995/96 and FY1996/97, (ii) 50% in FY1997/98 and FY1998/1999, and (iii) 25% in FY1999/2000 and thereafter.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) goods under contracts valued at less than \$200,000 equivalent; (ii) works under contracts valued at less than \$1,000,000 equivalent; (iii) fellowships, training, Program Development, Special Assistance Funds, Project management and incremental operating costs; and (iv) contracts for the employment of consulting firms valued at less than \$100,000 equivalent each and contracts for the employment of individuals valued at less than \$50,000 equivalent each, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in improving health outcomes by giving provinces, districts, and health center managers greater authority, responsibility,

resources and skills to enhance health care quality and equity, through: (i) increasing the authority and capacity of provincial and district health offices to plan and implement health programs as appropriate for local conditions; (ii) ensuring that the provision and consumption of key health services conform to affordable and cost-effective standards of care; (iii) improving access and utilization of key health services by the poor; and (iv) improving the efficiency in the delivery of basic health services.

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: Facility-Level Service Improvement

1. Health Facility Construction and Upgrading

Construction, upgrading and renovation of health centers, health sub-centers, drug warehouses, laboratory facilities, training facilities and district hospitals in the Participating Provinces, including construction of water supply facilities and provision of equipment, furniture and vehicles.

2. Special Assistance Program for Basic Health Services

Enhancement of the ability and motivation of front-line health providers and managers to render higher quality and more accessible basic health services that efficiently meet the needs and demands of clients and that effectively reach the poor in the Participating Provinces, through: (a) institutionalization of Quality Assurance practices in basic health services facilities and related supervisory and support units; (b) improvement of the utilization of basic health services at health facilities, including social marketing, greater adequacy of drug provision and quality of services; (c) strengthening the outreach activities of health facilities, including intensification of immunization campaigns, and strengthening of district health offices, including management capacity; (d) carrying out of on-the-job training for staff of health service facilities and related supervisory and support units in Quality Assurance and basic health services problem-solving, management and planning, laboratory services, and supervision of health services and outreach activities; (e) provision of equipment and furniture; and (f) provision of Special Assistance Funds to health facilities.

Part B: Institutional Development

1. Support for Quality Assurance Mechanisms

Strengthening the capacity of central, provincial and district health agencies to promote and establish Quality Assurance practices in health facilities and in the units in charge of the supervision of health facilities through: (a) a review of current standards as applied to clinical protocols, and management and support procedures; (b) establishment of a formal accreditation process; (c) training of clinic staff and field supervisors, and enhancement of field support for the application of modern Quality Assurance techniques; (d) development of central and provincial staff and professional organizations as sources of technical assistance for Quality Assurance; and (e) documentation and dissemination of problem-solving experiences through production of Quality Assurance newsletters; including carrying out of workshops, implementation of a system of staff performance incentives, and provision of materials, fellowships and related consultants' services.

2. Support for Training and Curriculum Development

Development of institutional capacity at the central,

provincial and district level to provide the training support required by the implementation of the Quality Assurance program and other training activities under the Project through: (a) strengthening PUSDIKLAT and BAPELKESb capacity to train trainers and develop learning materials and methodologies needed for the Quality Assurance program; (b) assessment of clinical training needs; (c) development of Quality Assurance learning packages and alternative training courses such as distance learning; (d) training, evaluation and certification of trainers; (e) monitoring and evaluation of post-training performance; (f) provision of appropriate learning incentives; and (g) establishment of a training information system and approval process; including implementation of a system of staff performance incentives, and provision of instructional materials, equipment, workshops, fellowships, and related consultants' services.

3. Support for Performance-Linked Incentives

Establishment of a system for measuring and rewarding district staff performance in the provision of basic health services, including implementation of a system of staff performance incentives, and provision of materials, equipment, and related consultants' services.

4. Replication and Piloting of Innovative Initiatives

(a) Dissemination and adaptation in the Participating Provinces of innovations carried out under the Third Health Project, including (i) integrated planning and budgeting, (ii) drug management, and (iii) equipment inventorying, ordering and procurement; and provision of workshops and related consultants' services.

(b) Piloting of exemplary integrated district health systems through (i) provision of Special Assistance Funds to health districts, and (ii) implementation of pilot Program Development proposals including managed health care (Jaminan Pemeliharaan Kesehatan Masyarakat) and Quality Assurance studies in health districts.

5. Project Management Support

Strengthening local Project implementation units to carry out the activities under the Project, including provision of related consultants' services.

Part C: Improved Resource Allocation and Revenue Generation

Design and promotion of facility-level fee increases, revenue retention, local resource mobilization, targeting of health subsidies to appropriate recipients and activities, and efficient resource allocation.

* * *

The Project is expected to be completed by September 30, 2000.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
March 1, 2001	1,690,000
September 1, 2001	1,750,000
March 1, 2002	1,815,000
September 1, 2002	1,880,000
March 1, 2003	1,945,000
September 1, 2003	2,015,000

March 1, 2004	2,085,000
September 1, 2004	2,160,000
March 1, 2005	2,235,000
September 1, 2005	2,315,000
March 1, 2006	2,395,000
September 1, 2006	2,480,000
March 1, 2007	2,570,000
September 1, 2007	2,660,000
March 1, 2008	2,755,000
September 1, 2008	2,855,000
March 1, 2009	2,955,000
September 1, 2009	3,060,000
March 1, 2010	3,170,000
September 1, 2010	3,280,000
March 1, 2011	3,395,000
September 1, 2011	3,515,000
March 1, 2012	3,640,000
September 1, 2012	3,770,000
March 1, 2013	3,905,000
September 1, 2013	4,045,000
March 1, 2014	4,185,000
September 1, 2014	4,335,000
March 1, 2015	4,490,000
September 1, 2015	4,650,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

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

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

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

(a) Grouping of Contracts

To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$200,000 or more each.

(b) Preference for Domestic Manufacturers

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.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Civil works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Equipment and furniture estimated to cost the equivalent of less than \$200,000 per contract, and \$5,400,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

(a) Goods estimated to cost less than \$50,000 equivalent per contract and \$7,900,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Civil works estimated to cost less than \$50,000 equivalent per contract and \$5,000,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of national shopping procedures in accordance with procedures acceptable to the Bank.

3. Force Account

Civil works which meet the requirements of paragraph 3.8 of the Guidelines, and costing \$2,000,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

Part D: Review by the Bank 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 Bank 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 Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$200,000 or more, each contract for civil works estimated to cost the equivalent of \$1,000,000 or more, the first contract for goods in each Participating Province estimated to cost the equivalent of \$50,000 or more, and the first contract for civil works in each Participating Province, 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 as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

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

SCHEDULE 5

Implementation Program

1. The Borrower shall:

(a) not later than October 31, 1996, furnish to the Bank the guidelines for the pricing of personal health services provided by health centers and hospitals, and protecting the poor from the impact of price adjustments; and

(b) not later than October 31, 1996, implement the system for the annual collection of consolidated budgetary information for health related public expenditures to monitor the achievement of the targets referred to in paragraph (a) above, and for assessing the impact of proposed central and provincial budgetary allocations on the funding of basic health services.

2. In carrying out Part B.4 of the Project, the Borrower shall carry out the Program Development activities in accordance with the Program Development Expenditures Operating Guidelines, agreed with the Bank.

3. In carrying out Parts A.2 and B.4 (b) of the Project, the Borrower shall carry out the activities under the Special Assistance Fund in accordance with the Special Assistance Fund Operating Guidelines, agreed with the Bank.

4. The Borrower shall, not later than December 31, 1995, furnish to the Bank the classification, on the basis of poverty issues, of health centers and health districts in the Participating Provinces, as referred to in the Policy Statement.

5. The Borrower shall cause the local governments of the Participating Provinces to take all actions required for the implementation of the Provincial Statement in each district selected to participate in the Project, including:

(a) the requirement that the share of the district health budget for basic health services and the poor be increased annually;

(b) the requirement that health service fees be adjusted upwards and that such revenues be used for purposes of the health sector; and

(c) the requirement that part of the earnings of the health centers be used by such facilities for health center performance incentives.

6. In carrying out Part B.2 of the Project, the Borrower shall:

(a) not later than January 31, 1996, furnish to the Bank a proposal for a scheduling and management mechanism for the training of staff which minimizes disruption in the health facilitiesp activities and which ensures that (i) training courses under the Project address documented skills deficits critical to the improvement of basic health services and have defined and measurable outcomes, and (ii) training courses are evaluated on the basis of the traineesp measurable acquisition of relevant knowledge and skills; and

(b) before implementing the training, ensure that the relevant course materials are available for the trainees.

7. 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 Bank, 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 December 31, 1997, 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 February 28, 1998, 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.

8. The Borrower shall:

(a) cause technical audits of Project implementation to be carried out, in a manner acceptable to the Bank, by April 1 in each year during the implementation of the Project; and

(b) a copy of such audit to be furnished to the Bank, for comments, by July 31 of each such year.

9. The Borrower shall provide the required vehicles for the Project in accordance with a schedule agreed with the Bank.

10. The Borrower shall:

(a) not later than March 31 in each year, commencing March 31, 1997, furnish to the Bank evaluation reports, covering approximately a two-year evaluation period, of the health districts' performance in terms of agreed performance indicators; and

(b) thereafter, review with the Bank the reports and take all measures required to ensure improvements in the health districts' performance in terms of the agreed performance indicators, including, if necessary, the reduction of Special Assistance Funds to non-performing health districts.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (9) 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 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 an amount equivalent to \$4,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$8,000,000.

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 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 a deposit or deposits 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 in 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; or

(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 with respect to the Project, 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.

