

CONFORMED COPY

LOAN NUMBER 3829 LE

Loan Agreement

(Health Sector Rehabilitation Project)

between

LEBANESE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated March 7, 1995

LOAN NUMBER 3829 LE

LOAN AGREEMENT

AGREEMENT, dated March 7, 1995, between LEBANESE REPUBLIC (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) In Section 6.02, subparagraph (k) is relettered as subparagraph (l) and a new subparagraph (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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "MOH" means the Borrower's Ministry of Health;

(b) "CDR" means the Council for Development and Reconstruction, a public authority established and operating pursuant to Legislative Decree No. 5 of the Borrower, dated January 31, 1977, as the same may be amended from time to time;

(c) "Central Bank" means Banque du Liban, the Borrower's central bank, operating pursuant to the Money and Credit Law promulgated by Decree No. 13513 of the Borrower, dated August 1, 1963, as the same may be amended from time to time;

(d) "Joint Committee" means the committee established by the Borrower on January 5, 1994, consisting of representatives of MOH and CDR, whose objectives, inter alia, are to ensure coordination of the procurement activities under the Project;

(e) "NGOs" means non-governmental organizations;

(f) "NGO Agreements" means those agreements entered into by MOH and certain NGOs pursuant to each of which the NGO shall perform, under the supervision of MOH, essential public health and clinical services in consideration of the provision by MOH of equipment and operational support to the NGO, and in-service training to the staff thereof;

(g) "Muhafaza" means an administrative division of the Borrower;

(h) "PCU" means the Project coordination unit to be maintained within MOH in accordance with the provisions of Section A.2 of Schedule 5 to this Agreement; and

(i) "Special Account" means the account referred to in Section 2.02 (b) of 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 the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of thirty five million seven hundred thousand dollars (\$35,700,000), 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, works 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 dollars a special deposit account in the Central Bank on terms and conditions satisfactory to the Bank. 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, 2000 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.

Section 2.08. CDR is hereby designated as representative of the Borrower in respect of the Project for the purposes of taking, on behalf of MOH, any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V 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 MOH with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, engineering, health and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation or restriction upon the provisions of paragraph (a) above, 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 and furnish to the Bank not later than six (6) months after the Closing Date, or such later date as may be agreed between the Borrower and the Bank, a plan, of such scope and in such detail as the Bank shall reasonably request, for the future operation of 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 nine (9) 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 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. The Borrower shall (a) not later than April 15 of each year until completion of the Project, furnish to the Bank, for its review and comments, details of the proposed budgetary allocations to be made, in the relevant budget or budgets of MOH and MOH's agencies, in respect of the operation and maintenance of the hospitals and other facilities to be rehabilitated under Part B of the Project;

and (b) thereafter, and taking into account the Bank's comments on the aforementioned allocations, take all measures necessary to ensure that budgetary allocations shall be made, in the relevant budget or budgets of MOH and MOH's agencies, in amounts sufficient to cover payment for (i) additional positions to be gradually incorporated within MOH's staffing structure; and (ii) operation and maintenance costs of the

hospitals and other facilities to be rehabilitated under Part B of the Project.

ARTICLE V

Termination

Section 5.01. The date one hundred twenty (120) 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. Except as provided in Section 2.08 of this Agreement, 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  
Beirut  
Lebanese Republic

Telex:

923.235.13

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:

INTBAFRAD  
Washington, D.C.

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

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

LEBANESE REPUBLIC

By /s/ Riad Tabbarah

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Caio Koch-Weser

Regional Vice President

Middle East and North Africa

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	7,963,200	80%
(2) Equipment, vehicles and supplies	13,608,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% for other items procured locally
(3) Furniture	1,177,200	100% of foreign expenditures and 60% of local expenditures
(4) Consultants' services and training	6,373,600	100% of foreign expenditures and 80% of local expenditures
(5) Incremental Operating Costs	3,537,800	90% prior to December 31, 1996, 60% from January 1, 1997, until December 31, 1997, and 30% from January 1, 1998, until December 31, 1998
(6) Unallocated	3,040,200	
TOTAL	35,700,000 =====	

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; and

(c) the term "Incremental Operating Costs" means incremental staff salaries under the Project, office rent and maintenance costs of buildings and equipment.

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 such expenditures for goods, works and services under contracts not exceeding \$75,000 equivalent, 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: (i) to enable MOH to effectively perform management and administrative functions that are critical to the development of the Borrower's health sector; (ii) to respond to unmet health needs of the poor groups of the population; and (iii) in the long term, to improve health conditions countrywide through better use and allocation of resources in the public and private sectors.

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: Institutional Strengthening

1. Carrying out an audit of the managerial practices and administrative procedures within MOH with a view to introducing new systems to monitor and control the allocation and utilization of resources in the Borrower's health sector.

2. Developing an information system for public hospitals and other health facilities, and a network of health professionals to monitor changes in health conditions and health status of the population, with a view to establishing a national health information system.

3. Strengthening the management of health centers through (a) the preparation of technical guidelines therefor; (b) the carrying out of in-service training programs for the personnel thereof; and (c) the development and implementation of a system to monitor health service delivery at the health centers to be rehabilitated under Part B.1 of the Project.

4. Strengthening the management of public hospitals through the improvement of hospitals' capabilities in the areas of (a) budgeting and accounting; (b) preventive maintenance and repair of equipment; (c) management of medical supplies; and (d) training in hospital management.

5. Developing a countrywide inventory of health services (carte sanitaire), including infrastructure, equipment and human resources, and a data base on the volume and range of health care services provided countrywide, and on the performance of the various health care providers.

6. Strengthening MOH's planning capabilities through (a) the carrying out of a review of the type and number of health facilities needed to respond to the needs of the population; (b) the preparation of alternative options for the effective delivery of essential public health and clinical services countrywide; and (c) the preparation of a health service development plan.

7. Rationalizing MOH's costs associated with services rendered by privately-owned hospitals under contract with MOH through (a) the establishment within MOH of a standardized and computerized patients' admission and billing system to link MOH's operations with those of the said hospitals; (b) the carrying out of a cost and quality analysis of services purchased by MOH from the private sector; and (c) the establishment of treatment profiles and a tariff system for the above-mentioned services.



8. Carrying out five studies designed to (a) review MOH's expenditure patterns; (b) review existing cost recovery mechanisms at public hospitals and health centers; (c) assess health care consumption in the Borrower's country; (d) assess the feasibility of introducing health maintenance organizations into the Borrower's health care system; and (e) review alternative options for the financing of the Borrower's health care system, all in preparation for the reform of the Borrower's health sector financing system.

Part B: Improvement of Health Care Delivery

1. Rehabilitation of ten (10) public health centers in the Muhafazas of North Lebanon, South Lebanon, Mount Lebanon, Nabatieh and the Beka'a, provision of equipment, vehicles and furniture therefor and training of the personnel thereof.

2. Provision of equipment for twenty (20) health centers operated by NGOs and training of the personnel thereof.

3. Rehabilitation of public hospitals in Tripoli, Zahle, Baalbeck, Batroun, Dahr El-Bashek and Sour, provision of equipment, vehicles and furniture therefor and training of the personnel thereof.

\* \* \*

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
September 1, 1999	860,000.00
March 1, 2000	890,000.00
September 1, 2000	920,000.00
March 1, 2001	955,000.00
September 1, 2001	985,000.00
March 1, 2002	1,020,000.00
September 1, 2002	1,060,000.00
March 1, 2003	1,095,000.00
September 1, 2003	1,135,000.00
March 1, 2004	1,175,000.00
September 1, 2004	1,215,000.00
March 1, 2005	1,260,000.00
September 1, 2005	1,305,000.00
March 1, 2006	1,350,000.00
September 1, 2006	1,400,000.00
March 1, 2007	1,450,000.00
September 1, 2007	1,500,000.00
March 1, 2008	1,555,000.00
September 1, 2008	1,610,000.00
March 1, 2009	1,665,000.00
September 1, 2009	1,725,000.00
March 1, 2010	1,785,000.00
September 1, 2010	1,850,000.00
March 1, 2011	1,915,000.00
September 1, 2011	1,980,000.00
March 1, 2012	2,040,000.00

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\* 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	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines) and in accordance with the following additional procedures:

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Bank's prior review in accordance with the provisions of Part D.1 (a) of this Section, the Bank's prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days; and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the

purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the territory of the Borrower may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Civil works estimated to cost the equivalent of less than \$1,000,000 per contract, up to an aggregate amount equivalent to \$4,700,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Items of goods estimated to cost the equivalent of less than \$200,000 per contract, up to an aggregate amount equivalent to \$2,400,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Items of goods estimated to cost the equivalent of less than \$50,000 per contract, up to an aggregate amount equivalent to \$2,800,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for civil works estimated to cost the equivalent of \$600,000 or more, and each contract for goods estimated to cost the equivalent of \$75,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

2. The figure of ten percent (10%) is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out Part A of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis 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, the Borrower shall employ such consultants under contracts using 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, the Borrower shall use other standard forms agreed with the Bank.

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 individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions 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 \$120,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$60,000 equivalent or above.

### SCHEDULE 5

#### Implementation Program

##### A. Project Implementation

1. MOH shall have overall responsibility for the implementation of the Project.
2. MOH shall maintain a Project coordination unit, with staff whose qualifications and terms of reference shall be acceptable to the Bank, to assist MOH in carrying out its Project functions.
3. MOH shall maintain arrangements satisfactory to the Bank with CDR pursuant to which CDR shall be responsible, on behalf of the Borrower, for all matters related to the procurement process and withdrawal of Loan proceeds under the Project.
4. The Borrower shall maintain the Joint Committee with responsibilities agreed upon with the Bank.

##### B. Health Sector Financing Reform

1. The Borrower, through MOH, shall, not later than June 30, 1997, prepare and furnish to the Bank, for its review and comments, the plan referred to under Part A.6 (c) of the Project, and shall, following an exchange of views with the Bank with respect to said plan, initiate all action necessary to implement such plan taking into account the Bank's comments thereon.
2. The Borrower, through MOH, shall, not later than December 31, 1997, prepare and furnish to the Bank, for its review and

comments, a plan, of such scope and in such detail as the Bank shall reasonably request, designed to implement the findings of the studies referred to under Part A.8 of the Project, and shall, following an exchange of views with the Bank with respect to said plan, initiate all action necessary to carry out such plan taking into account the Bank's comments thereon.

3. The Borrower shall, not later than December 31, 1997, establish an intersectoral committee, consisting, inter alia, of senior officials of the Borrower, to monitor the implementation of the plan referred to under paragraph 2 of this Section B.

#### C. NGO Agreements

The Borrower, through MOH, shall, not later than June 30, 1997, carry out and furnish to the Bank, for its review and comments, an evaluation of each of the NGO Agreements, such evaluation to include recommendations on future action with respect thereto, all on the basis of criteria agreed upon between the Borrower and the Bank, and shall, following an exchange of views with the Bank with respect to said recommendations, take all necessary action to implement such recommendations taking into account the Bank's comments thereon.

#### D. Progress Reports

Without prejudice to the provisions of Section 9.07 of the General Conditions, the Borrower, through MOH, shall, not later than January 31 and July 31 of each year until completion of the Project, commencing January 31, 1996, prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, describing the progress achieved in the implementation of the Project.

#### E. Mid-Term Review

1. Without prejudice to the provisions of Section D of this Schedule, the Borrower shall, not later than October 31, 1997, prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, describing, on the basis of indicators agreed upon between the Borrower and the Bank, the progress achieved in carrying out the Project.

2. The Borrower and the Bank shall carry out a mid-term review, in the course of which they shall exchange views on the content of the report referred to under paragraph 1 of this Section, and, thereafter, the Borrower shall take all action which the Borrower and the Bank shall have agreed is required for the attainment of the objectives of the Project.

### SCHEDULE 6

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (5) 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 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 \$1,500,000 to be withdrawn from the Loan Account and deposited into 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 \$3,000,000.

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 into the Special Account of an amount or amounts determined by the Bank to be required to pay for eligible expenditures during the four months following the date of each such request, which amount shall 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 Bank shall have determined to be so required.

(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, less the amount of any outstanding special commitment 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.

