

CONFORMED COPY

CREDIT NUMBER 2674 LA

Project Agreement

(Health System Reform and Malaria Control Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF SAVANNAKHET

Dated February 4, 1995

CREDIT NUMBER 2674 LA

PROJECT AGREEMENT

AGREEMENT, dated February 4, 1995, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association") and PROVINCE OF SAVANNAKHET ("SAVANNAKHET").

WHEREAS: (A) By the Development Credit Agreement of even date herewith between the Lao People's Democratic Republic (the "Borrower") and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twelve million nine hundred thousand Special Drawing Rights (SDR 12,900,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that, inter alia, Savannakhet agree to undertake such obligations toward the Association as are set forth in this Agreement; and

WHEREAS: (B) Savannakhet, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement.

NOW THEREFORE the parties hereto hereby agree as follows.

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth, and the term "Steering Committee" means the Steering Committee of the Province of Savannakhet, as established by Decision No. 1049/PSO of its Provincial Governor, dated July 7, 1994.

ARTICLE II

Execution of the Project

Section 2.01. (a) Savannakhet declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Part (C) of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, economic, engineering, health and sound environmental practices, and shall provide, or cause to be provided, 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 Association shall otherwise agree, Savannakhet shall: (i) carry out Part (C) of the Project in accordance with the Project Implementation Plan; and (ii) not later than June 30 in each Fiscal Year, beginning with the Fiscal Year ending September 30, 1995, review with the Borrower, Sekong and the Association the progress achieved in carrying out Part (C) of the Project.

Section 2.02. Savannakhet shall maintain the Steering Committee with membership and terms of reference acceptable to the Association. The Steering Committee shall be charged with the responsibility of providing overall policy guidance for the implementation of Part (C) of the Project, and for formulating the general health sector policies under the Savannakhet Health Plan.

Section 2.03. Without limitation upon the provisions of Section 2.01 of this Agreement, Savannakhet shall:

(a) At all times carry out the Savannakhet Health Plan with due diligence and efficiency and otherwise take all action necessary for achieving the objectives thereof;

(b) Prepare and furnish to the Association, not later than December 31 in each Fiscal Year, a report, in form and substance satisfactory to the Association, on the progress achieved in carrying out the Savannakhet Health Plan in respect of the preceding Fiscal Year, together with any revisions proposed to be introduced into the Savannakhet Health Plan; and

(c) Exchange views with the Association and the Borrower on each report prepared pursuant to paragraph (b) of this Section, and thereafter promptly introduce such revisions into the Savannakhet Health Plan as shall have been recommended by the Association.

Section 2.04. Savannakhet shall, not later than August 30, 1995, establish and thereafter maintain on the basis of terms of reference acceptable to the Association: (a) a drug administration committee responsible for drawing up and subsequently regularly reviewing and updating a provincial list of commonly used high quality-low price drugs and administer and monitor their distribution throughout Savannakhet; and (b) a drug therapeutic committee responsible for selecting from the said provincial list the drugs to be procured under Part C (6) of the Project, distributing said drugs to the various health

centers within Savannakhet and supervising the proper use of said drugs.

Section 2.05. Savannakhet shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project.

Section 2.06. (a) Savannakhet shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit; and

(b) Savannakhet shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by Savannakhet of its obligations under this Agreement.

Section 2.07. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project, and to be financed out of the proceeds of the Credit, shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Savannakhet shall maintain, or cause to be maintained, records and separate accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part (C) of the Project of the departments or agencies of Savannakhet responsible for carrying out said Part (C) of the Project.

(b) Savannakhet shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association.
- (ii) furnish to the Association as soon as available, but in any case not later than four (4) 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 Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, Savannakhet shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one (1) year after the Association has received the audit report for the Fiscal Year in which the last withdrawal from the

Credit 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 Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of Savannakhet thereunder shall terminate on the earlier of the following two (2) dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify Savannakhet of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

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

For Savannakhet:

Provincial Governor of the Province of Savannakhet
Province of Savannakhet
Lao People's Democratic Republic

Telex:

4369 (MOF LS)

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Savannakhet, or by Savannakhet on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Provincial Governor of Savannakhet, or such other person or persons as said Governor shall designate in writing, and Savannakhet shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Vientiane, Lao People's Democratic Republic, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo
Authorized Representative

PROVINCE OF SAVANNAKHET

By /s/ Soukaseum Bodhisane
Authorized Representative

