

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7196-SK

Loan Agreement

(Health Sector Modernization Support Technical Assistance Project)

between

SLOVAK REPUBLIC

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated December 2, 2003

Public Disclosure Authorized



LOAN NUMBER 7196-SK

LOAN AGREEMENT

AGREEMENT, dated December 2, 2003, between the SLOVAK REPUBLIC (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received from the Borrower a letter dated April 7, 2003, describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's health sector (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during the execution thereof;

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999 (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Category" means a category of items to be financed out of the proceeds of the Loan as set forth in the table in paragraph 1 of Schedule 1 to this Agreement, and the term "Categories" means more than one (1) Category collectively;

(b) “Disbursed Amount” means, in respect of each Interest Period, the aggregate principal amount of the Loan withdrawn from the Loan Account in said Interest Period;

(c) “Financial Monitoring Report” and “FMR” mean each report prepared in accordance with Section 4.02 of this Agreement;

(d) “Fiscal Year” means the twelve-month period corresponding to any of the Borrower’s fiscal years, which period commences on January 1 and ends on December 31 in each calendar year;

(e) “Health Insurance Companies” means collectively all companies licensed or to be licensed for the purpose of providing health insurance;

(f) “Maturity Fixing Date” means, for each Disbursed Amount, the date on which the amortization schedule for said Disbursed Amount is established, such date being the first day of the Interest Period next following the Interest Period in which said Disbursed Amount is withdrawn;

(g) “Ministry of Health” and “MOH” mean the Borrower’s Ministry of Health established and functioning pursuant to the provisions of the Borrower’s Law No. 575/2001 dated December 12, 2001, as the same may be amended from time to time, or any successor thereto;

(h) “Monitoring and Evaluation Indicators” means the agreed performance indicators set forth in a letter of even date herewith to be utilized by the Borrower under the Project to measure the progress in the implementation of the Project and the degree to which the objectives thereof are being achieved;

(i) “Program Loan Agreement” means the Loan Agreement (Health Sector Modernization Support Sectoral Adjustment Loan, Loan No. 7195-SK) of even date herewith between the Borrower and the Bank;

(j) “Project Coordination Unit” means the unit established by the Decision of the MOH No. EI/0100/2003, dated January 15, 2003, and referred to in paragraph 1, Section I of Schedule 4 to this Agreement; and

(k) “Project Preparation Advance” means the project preparation advance granted by the Bank to the Borrower pursuant to the Letter-Agreement No. P 4010 SK signed on behalf of the Bank on March 11, 2003, and on behalf of the Borrower on June 2, 2003.

ARTICLE II

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to ten million five hundred eighty thousand Euro (EUR 10,580,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule I 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 and to be financed out of the proceeds of the Loan.

(b) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be June 30, 2007 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan. Such fee shall be payable not later than sixty (60) days after the Effective Date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one percent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one percent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on June 15 and December 15 in each year.

Section 2.08. (a) Subject to the provisions of paragraph (b) of this Section, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each December 15 and June 15, the first such installment to be payable on the First (1st) Interest Payment Date following the Maturity Fixing Date for said Disbursed Amount and the last such installment to be payable on the Sixth (6th) Interest Payment Date following the Maturity Fixing Date for said Disbursed Amount. Each installment except for the last one shall be equal to one-sixth (1/6) of said Disbursed Amount. The last installment shall be equal to the remaining outstanding amount of said Disbursed Amount.

(b) Notwithstanding the provisions of paragraph (a) of this Section, if any one or more installments of principal of any Disbursed Amount would, pursuant to the provisions of such paragraph (a), be payable after June 15, 2009, the Borrower shall also pay on such date the aggregate amount of all such installments.

(c) The Bank shall notify the Borrower of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for said Disbursed Amount.

(d) Notwithstanding the provisions of paragraphs (a) through (c) of this Section, in the event of a Currency Conversion of all or any portion of a Disbursed Amount to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; and
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project and, to this end, shall carry out the Project through the MOH with due diligence and efficiency and in conformity with appropriate administrative, health care, insurance and technical 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 4 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, the procurement of the goods and the selection and employment of the 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 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the 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 future operation of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section for each Fiscal Year audited, in

accordance with auditing standards acceptable to the Bank, 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 (6) months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records;
- (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;
- (v) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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; and

- (vi) enable the Bank's representatives to examine such records.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraphs 1 and 2 of Section II of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

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

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

Section 4.03. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall take all measures required before the conclusion of each Fiscal Year to ensure that adequate counterpart funds are promptly provided to the MOH in a timely manner during the following Fiscal Year in accordance with the work program and budget for each Project implementation year concluded pursuant to the provisions of paragraph 1 of Section III of Schedule 4 to this Agreement.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that all conditions precedent to the effectiveness of the Program Loan Agreement have been fulfilled, except only the effectiveness of the Loan Agreement.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
of the Slovak Republic
Ul. Stefanovicova 5
81782 Bratislava
P.O. Box 82
Slovak Republic

Telex

21868

Facsimile:

(421-2) 5249-8065

For the Bank:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(1-202) 477-6391

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

SLOVAK REPUBLIC

By /s/ Ivan Miklos
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Roger Grawe
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Euro)</u>	<u>% of Expenditures to be financed</u>
(1) Goods	19,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 85% of local expenditures for other items procured locally
(2) Consultants' services, including audits	9,740,000	80% for foreign consulting consulting firms, 100% for foreign individual consultants, 75% for local consulting firms, and 74% for local individual consultants
(3) Training	85,000	100%
(4) Refunding of Project Preparation Advance	630,000	Amounts due pursuant to Section 2.02 (b) of this Agreement
(5) Unallocated	<u>106,000</u>	
TOTAL	<u>10,580,000</u>	

2. For the purposes of this Schedule:

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

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

(c) the term “foreign consulting firm” means a consulting firm which is registered or incorporated in the territory of any country other than that of the Borrower;

(d) the term “foreign individual consultant” means an individual consultant who is a national of a territory of any country other than that of the Borrower;

(e) the term “local consulting firm” means a consulting firm which is registered or incorporated in the territory of the Borrower; and

(f) the term “local individual consultant” means an individual consultant who is a national of the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement; and

(b) any expenditures under any Category in the table in paragraph 1 above, except under Category (4), unless the Bank shall have received payment in full of the front-end fee referred to in Section 2.04 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, excluding those under the contracts referred to in paragraphs 2 (a) and (b) of Part D of Section I of Schedule 3 to this Agreement; (ii) services of firms, under contracts costing less than \$100,000 equivalent each, excluding the contract referred to in paragraph 2 (a) of Part D of Section II of Schedule 3 to this Agreement; (iii) services of individual consultants, excluding those referred to in paragraph 2 (b) of Part D of Section II of Schedule 3 to this Agreement; and (iv) training, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in building the capacity of the health system to become more efficient in financing and delivering health care services and improving the quality of health care services while maintaining access to care for the population, especially the vulnerable groups, particularly through the institutional underpinning necessary to support the health sector reforms under the Program and to build the required institutional capacity in MOH, the Health Insurance Companies and related institutions.

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: Reforms in Health Care Financing and Delivery

Carrying out of a program of selected reforms in: (i) health care financing so as to improve financial sustainability and equity; and (ii) health care delivery with a view to design and implement hospital autonomy, and specifically consisting of the provision of technical assistance for: (i) improved financial management by health insurance companies and hospitals; (ii) the development of a suitable provider payment system; (iii) the autonomization and corporatization of public hospitals; (iv) the development of an appropriate legal and regulatory structure for hospital autonomy; (v) the development of hospital optimization plans for health facilities in Bratislava, Kosice and Banska Bystrica; (vi) the development of business and strategic plans for autonomous hospitals; (vii) training for hospital managers and other staff; and (viii) the development and management of Health Insurance Companies for capital investments to support modernization of public hospitals and hospital autonomy and the development of support care.

Part B: Development of a Quality Improvement System

Development of comprehensive mechanisms for continuous improvement of quality of health care and quality improvement and assurance protocols for the Slovak health system, specifically through the provision of technical assistance for: (i) the design and implementation of modern clinical protocols for selected high burden diseases on the basis of scientific evidence; (ii) the modernization of the accreditation and licensing system for physicians and nurses; (iii) the development of appropriate institutional and organizational structures for the implementation of quality improvement; (iv) the preparation of an accreditation system for health facilities; (v) the design and establishment of a Health Care Surveillance Authority (HCSA); (vi) training of HCSA and hospital staff on issues related to quality assurance and monitoring; and (vii) the development of materials on quality improvement.

Part C: Development of a Health Management Information System

Development of a Health Management Information System (HMIS) adequate to enable the Borrower to better conduct its policy-making and regulatory function, enable the health insurance companies to better fulfill their functions, and link the network of health providers to purchasers and appropriate regulatory institutions, specifically encompassing the provision of technical assistance and training for: (i) the development of an HMIS strategy, including the development of necessary supporting legislation; (ii) the development of standards and regulations to support the integration of the HMIS at all levels of the system; (iii) the development and creation of a national health data center within the MOH to collect and analyze the data; and (iv) the development and integration of the information system to support the policy creation and analysis role of the MOH.

Part D: Social and Long-term Care Reforms

Implementation of a program on social and long-term care reforms aimed at: (i) defining the scope and the contents of social and long-term care, including issues related to service eligibility and scope of services and service standards to be delivered; (ii) creating appropriate policies for organization and financing of social and long-term care; and (iii) developing appropriate financing mechanisms to spur a supply-side response in terms of growth of private social care services including community-based services, specifically encompassing the provision of technical assistance and training for: (i) the assessment of the current situation in the Borrower's territory of the regulatory and legislative framework, including the review of existing laws and regulations; (ii) a review of the current practices of provision of social and long-term care in the country; (iii) the preparation of draft legislation for long-term care provision; and (iv) the preparation of a detailed implementation plan for the proposed legislation enforcement.

Part E: Social Impact Analysis and Public Information Campaign

Carrying out of a program of quantitative and qualitative social impact monitoring methods and development and implementation of public information and communication campaign on the basis thereof, with a view: (i) to monitor the progress in the implementation of the reform supported by the Project and its impact on the quality and accessibility of health services for the poorest population groups; (ii) to generate better awareness of the proposed health sector reforms; and (iii) to create an enabling environment for the building and implementation of stakeholder commitment, including the provision of training and technical assistance for media productions, road shows, publications, seminars and workshops.

Part F: Project Management and Monitoring

Strengthening of the MOH capabilities required for the implementation of the Project, including provision of technical assistance and training to the PCU in the areas of procurement, financial management, monitoring and evaluation and relevant technical matters, and for the preparation of the audits of the Loan.

* * *

The Project is expected to be completed by December 31, 2006.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with: (i) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (ii) the following provisions of Section I of this Schedule.

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

Preference for domestically manufactured goods

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 Procedure: National Shopping Procedures

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

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts or any requests for price quotations, 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 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

(a) With respect to each contract for goods estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first contract for goods be procured in accordance with the procedures referred to in Part C of this Section I, irrespective of the cost thereof, the following procedures shall apply:

- (i) prior to the selection of the supplier under shopping procedures, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received and a copy of the specifications and the draft contract; and
- (ii) the procedures set forth in paragraphs 2 (f), 2 (g) 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

Part A: General

Consultants' services shall be procured in accordance with: (i) the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto; and (ii) the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services under the Project, estimated to cost less than \$200,000

equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for audits under Part F of the Project estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for public opinion surveys under Part E of the Project and for monitoring and evaluation services under Part F of the Project estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Selection Under a Fixed Budget

Services for the public information campaign under Part E of the Project may be procured under a contract estimated to cost less than \$4,500,000 equivalent awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

4. Individual Consultants

Services of individual consultants for: (i) tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines; and (ii) the task of project implementation specialist, procurement specialist, financial management specialist and those financed under the Project Preparation Advance may be selected on a sole-source basis in accordance with the provisions of paragraphs 5.3 and 5.4 of the Consultant Guidelines, subject to prior approval of the Bank.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every six (6) months during the execution of the Project, and each such updating shall be furnished to the Bank for its

review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank.

2. Prior Review

(a) With respect to: (i) each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more; and (ii) the first contract for the employment of a consulting firm to be selected in accordance with the procedures referred to in paragraph 2 of Part C of this Section II, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants to be selected on a sole source basis, or estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience, terms of reference, and the terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

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 Consultant Guidelines shall apply; provided however, that prior Bank review and approval shall still apply to the terms of reference and short list for each such contract.

SCHEDULE 4

Implementation Program

Section I. Organizational Arrangements

1. Project Coordination Unit

The Borrower, through the MOH, shall maintain the PCU throughout Project implementation with financial and human resources adequate to enable it to carry out its responsibilities under the Project under arrangements satisfactory to the Bank. The PCU shall be headed by a Project Director and shall include, among others, a project implementation specialist, a procurement specialist, a financial management specialist, monitoring and evaluation staff, and technical coordinators for all Parts of the Project. More specifically, the PCU shall be responsible for day-to-day coordination of Project activities, technical assistance, training and logistics and for: (i) drafting the relevant Project documents, including the annual work programs and budgets; (ii) preparing and organizing the procurement procedures for goods and the selection and employment procedures for consultants' services to be financed under the Loan, including the updating of the procurement plan and the plan for the selection of consultants; (iii) preparing the documents required for the disbursement and accounting of the proceeds of the Loan; (iv) monitoring and evaluation of the Project activities; (v) preparation of audits required under the Loan Agreement; and (vi) consolidation of the FMRs and the Project semiannual progress reports referred to in the following paragraph 1 of Section II of this Schedule.

Section II. Project Monitoring and Evaluation

1. Semiannual Progress Reports

Without limitation upon the provisions of Section 9.07 of the General Conditions, the Borrower, through the MOH, shall, commencing on the day falling ninety (90) days after the Effectiveness Date, and thereafter, not later than February 15 and July 15 in each calendar year and until Project completion, prepare and furnish to the Bank a semiannual progress report, of such scope and in such detail as the Bank shall reasonably request, describing, in accordance with the Monitoring and Evaluation Indicators, the progress achieved in the implementation of the Project during the preceding semester of the calendar year, including: (i) a summary of Project activities by Parts; (ii) a description of the main achievements against projected implementation targets and disbursements schedules, including problems encountered in Project implementation supported by the results of the quantitative and qualitative social impact analysis findings; (iii) identification of problem areas in terms of Project management and supervision, particularly with respect to delays in Project implementation and the causes of such delays; (iv) recommendations to address identified problems and comments on progress in implementing previous recommendations; (v) updated

procurement and selection plans; and (vi) a list of all contracts signed up to the date of the relevant report.

2. Mid-Term Review

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring and Evaluation Indicators, 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, 2004, 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 an adequate support to the implementation of the Program and the achievement of the objectives of the Project during the period following such date; and

(c) review with the Bank, by March 31, 2005, 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 Program and the achievement of the objectives of the Project, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

3. Work Program and Budget

The Borrower: (i) not later than September 30 in each calendar year, shall, through the MOH, prepare and submit to the Bank for its review and approval a proposed work program and budget for the following Project implementation year setting forth the annual action plan and proposed expenditures; and (ii) thereafter, shall cause the MOH to adopt the said work program and budget taking into consideration the Bank's comments thereon and carry out the Project in accordance therewith.