

CONFORMED COPY

LOAN NUMBER 3466 POL

(Health Services Development Project)

between

REPUBLIC OF POLAND

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 17, 1992

LOAN NUMBER 3466 POL

LOAN AGREEMENT

AGREEMENT, dated July 17, 1992, between REPUBLIC OF POLAND (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, 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) "MOH" means the Ministry of Health and Social Welfare of the Borrower;

(b) "NPIU" means the National Project Implementation Unit, established within MOH by Decree No. 19/91 dated June 1, 1991;

(c) "Health Consortium" means any of the health consortia established by the voivodships and health institutions in the Regions of Ciechanow, Pomerania and Wielkopolski for the purpose of decentralization and regional management and coordination of health activities and "Health Consortia" means, collectively, the three health consortia in such regions;

(d) "CCOs" means the Consortia Coordination Offices, established within each Health Consortium;

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

(f) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to a letter of the Bank agreed by the Borrower on April 10, 1992.

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 one hundred thirty million dollars (\$130,000,000), 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 shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the National Bank of Poland 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.

(c) 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 thereon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1999 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 semiannually on June 15 and December 15 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 or cause to be carried out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering 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 or cause to be carried out all 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.

ARTICLE IV

Financial Covenants and Other 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 Accounts 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. During execution of the Project, the Borrower shall take all necessary measures to ensure that:

(a) in its budget, any funds to be made available to the voivodships participating in the Health Consortia for the purposes of the Project, be treated as supplemental to the normal budget

allocation for any such voivodship; and

(b) all voivodships and health institutions, participating in the Health Consortia, provide adequate funds to cover the operating cost of the Health Consortia.

ARTICLE V

Remedies

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) the statutes of any of the Health Consortia shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the execution of Part D of the Project, or any of its sub-components; and

(b) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of any of the Health Consortia, or for the suspension of the operation of any of the Health Consortia.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely that any event specified in paragraph 5.01 (a) or (b) of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the MOH has issued regulations, acceptable to the Bank, relating to (i) the recommended minimum data set for hospital patient admission/discharge information, (ii) accounting practices for health care institutions, and (iii) registration of drugs and standard format for drug prescriptions; and

(b) the Borrower has employed consultants to assist in the management of the Project in accordance with the provisions of Section II of Schedule 4 to this 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 Health and Social Welfare 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 Health and Social Welfare
ul. Miodowa 15
Warsaw, 00-923
Republic of Poland

Telex:

4822813864 PL or
4822817441 PL

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

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 POLAND

By /s/ Jacek Tomorowicz

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Wilfried Thalwitz

Regional Vice President
Europe and Central Asia

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) Equipment, vehicles, furniture, materials and software	44,000,000	100% of foreign expenditures, 100% of local expenditures ex-factory) and 90% of local ex- penditures for other items procured locally

(2) Consultants' services, studies and training	43,800,000	100%
(3) (a) Equipment for Part D.2 in the Region of Ciechanow	2,300,000	100% of foreign expenditures, and 100% of local expenditures (ex-factory) and
(b) Equipment for Part D.2 in the Region of Pomerania	10,100,000	90% of local expenditures for other items procured locally
(c) Equipment for Part D.2 in the Region of Wielkopolski	17,200,000	
(4) Refunding of Project Preparation Advance	1,500,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(5) Unallocated	11,100,000	
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TOTAL	130,000,000	
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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; and

(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.

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) payments made, or to be made, for expenditures under Category (3) (a), (b) and (c), unless the Borrower has furnished the Bank regional health services strategic plans and investment proposals, acceptable to the Bank, for each of the Regions of Ciechanow, Pomerania and Wielkopolski, respectively.

SCHEDULE 2

Description of the Project

The objectives of the Project are to support the first step in restructuring the health sector, to strengthen institutional capacity in policy making, planning, management and evaluation, to ensure sustainability of services and to improve effectiveness, efficiency and quality of service delivery in the Regions of Ciechanow, Pomerania and Wielkopolski.

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: Health Promotion

1. Health Promotion Programs: Strengthening the capacity of the National Board of

Health Promotion and regional health promotion units within the Consortia to design, coordinate, monitor and evaluate health promotion and prevention programs at national and regional levels through provision of: (a) fellowships in public health, health education, mass marketing and communications; (b) equipment and materials needed for the design, production, and dissemination of health promotion and health education materials; and (c) computer hardware and software.

2. Training of Health Educators: Strengthening of the capacity of the School of Public Health at the University of Krakow, the National Institute of Hygiene, the Institution of Occupational Medicine in Lodz and the National Institute of Cardiology in the design of health education curricula, training of health educators, health professionals and non-health professionals and in the design and editing of health education materials through provision of training and fellowships, upgrading of the facilities, equipment and other materials.

3. Occupational Health: Strengthening of the Institute of Occupational Medicine in Lodz to design and implement occupational health policies through provision of study tours abroad and to develop occupational health standards, workplace inspection guidelines and policies to enforce surveillance of workplace safety standards.

Part B: Primary Health Care

1. Primary Care Practices: Strengthening of the National Board for Primary Care to develop primary care training centers associated with existing medical academic institutions in Ciechanow (Warsaw), Pomerania and Wielkopolski, including development of curricula design, provision of intensive courses in the techniques of teaching family medicine to doctors, and upgrading of clinical facilities and provision of equipment, teaching and library materials needed therefor.

2. In-service Training: Strengthening of in-service training in primary care in selected teaching hospitals, community clinics and training practices of teachers of family medicine through upgrading of training facilities, development of programs needed to strengthen in-service training of doctors, nurses and allied primary health care workers, provision of long- and short-term fellowships and computer hardware and software needed therefor.

Part C: Health Management

1. Hospital Admission/Discharge Information and Accounting: Standardization and computerization of data collection on patient admission and discharge, aggregation of data from local to national levels, analysis and interpretation of data, training in data coding and computerization and provision of materials and computer hardware and software; and introduction of national standards for accounting practices, drug registration and monitoring of pharmaceutical sales throughout the health sector and provision of equipment, computer hardware and software and training in the following three phases:

(i) piloting, testing and fine tuning of the new accounting practices in selected health care institutions in Ciechanow, Pomerania and Wielkopolski and one other pilot development site;

(ii) introduction of the new system in most health institutions in Ciechanow, Pomerania and Wielkopolski; and

(iii) introduction countrywide.

2. Pharmaceutical Monitoring and Quality Control: Creation of a nationwide standard data set for reporting the utilization of prescription and non-prescription drugs and identification of doctors, pharmacies and patients through development of a capacity to aggregate data of regional and national levels, analyze the information at the national level and provide a dynamic and continuous feedback to policy makers, managers and health care providers and provision of fellowships, in-service training, equipment and materials.

3. Budgeting: Introduction of a more efficient and equitable basis for the preparation of the yearly recurrent health budget for the voivodships and setting priorities for capital investments and provision of fellowships, in-service training, equipment and materials.

4. Management Development: Establishment of centers for undergraduate and graduate education in health service management in relevant departments in the Universities of Warsaw, Krakow, Wroclaw and Lodz and provision of fellowships, including post-graduate degree fellowships abroad, in-service training, equipment, library resources and materials.

5. Health Financing: Feasibility studies: (i) on the introduction of contributory health insurance, (ii) health cost recovery, (iii) private sector health services, and (iv) preparation of draft legislation on health financing; and provision of fellowships, equipment and materials.

D. Regional Health Service in Ciechanow, Pomerania and Wielkopolski

1. Regional Management: Strengthening the capacity of the Health Consortia to formulate regional policies to support a coordinated decentralization of the health care system, to design programs, strategic plans and operational proposals to implement these policies and evaluate their effectiveness, and provision of training, and equipment needed for these activities.

2. Infrastructure Consolidation: Upgrading of infrastructure and equipment of primary care and institutional care facilities, including consolidation of existing health facilities in accordance with regional health service strategic plans referred to in paragraph 3 (b) of Schedule 1.

3. Admission/Discharge Information and Accounting: Strengthening the management capacity of regional and local institutions through introduction of information systems needed to provide more efficient and higher quality services.

4. Pharmaceutical Monitoring System: Development of the regional design of the monitoring system described in Part C.3 above, implementation thereof on the regional level and provision of office equipment, reference materials and computer hardware and software needed therefor.

5. Materials and Technology Management: Development of guidelines for technology and material standards, implementation of cost containment measures through systematic procurement, handling, storage and utilization of expensive materials, drugs, equipment, linen and food and provision of short-term fellowships, in-service training of local staff, medical technology maintenance equipment and tools and computer hardware and software needed therefor.

* * *

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
December 15, 1996	2,990,000
June 15, 1997	3,105,000
December 15, 1997	3,225,000
June 15, 1998	3,350,000
December 15, 1998	3,480,000
June 15, 1999	3,615,000
December 15, 1999	3,755,000
June 15, 2000	3,900,000
December 15, 2000	4,050,000

June 15, 2001	4,205,000
December 15, 2001	4,370,000
June 15, 2002	4,540,000
December 15, 2002	4,715,000
June 15, 2003	4,895,000
December 15, 2003	5,085,000
June 15, 2004	5,280,000
December 15, 2004	5,485,000
June 15, 2005	5,695,000
December 15, 2005	5,915,000
June 15, 2006	6,145,000
December 15, 2006	6,385,000
June 15, 2007	6,630,000
December 15, 2007	6,885,000
June 15, 2008	7,155,000
December 15, 2008	7,430,000
June 15, 2009	7,715,000

* 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	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 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 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 1985 (the Guidelines).

2. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost the equivalent of \$500,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Poland 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. Items or groups of items estimated to cost the equivalent of \$500,000 or less per contract, up to an aggregate amount equivalent to \$1,500,000, may be procured under contracts awarded on the basis of comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraph 2.8, 2.9, 2.55 and 2.56 thereof).

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

3. Items or groups of items estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three local suppliers, in accordance with the procedures acceptable to the Bank.

4. Contracts for books, technical journals, training materials, audio visual materials, computer software, including annual upgrading and licensing arrangements, copyrights, translation and reprinting rights and other proprietary items up to an aggregate amount of \$13,300,000 may be awarded after direct negotiations with suppliers, publishers, copyright owners or other authorized distributors or on the basis of competitive quotations for discounts on list prices from retailers 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 estimated to cost the equivalent of \$500,000 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 are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out 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.

SCHEDULE 5

Implementation Program

1. For the purposes of implementation of the Project, the Borrower has established NPIU, which shall have overall responsibility for coordination of the carrying out of the Project and the Borrower shall ensure that NPIU will be maintained and will be provided at all times with such staff, functions and authorities as is acceptable to the Bank.

2. The Borrower shall make adequate arrangements for the Project to be implemented by the executing agencies, who shall be assisted by the respective line departments of MOH and obtain policy guidance and monitoring feedback from the steering committees, all in accordance with the Annex to this Schedule.

3. The Borrower shall carry out training, including fellowships, under the Project in accordance with terms of reference, and pursuant to a time schedule, acceptable to the Bank.

4. In order to facilitate the carrying out of the Project in accordance with the provisions of Section 3.01 (a) of this Agreement, the Borrower shall prepare and furnish to the Bank, by December 1 of each year, a technical and financial report in form and substance acceptable to the Bank, and afford the Bank a reasonable opportunity to review with the Borrower the conclusion and recommendation of any such report, including proposed budgets for MOH and the voivodships participating in the Consortia of the Project and any measure necessary to be taken during the subsequent year to ensure proper execution of the Project.

5. In order to ensure maximum benefits from the experience gained during implementation of the Project, two interim reviews shall be carried out, jointly, by the Borrower and the Bank, not later than December 31, 1994 and December 31, 1996, according to terms of reference prepared by the Borrower and furnished to the Bank, in form and substance acceptable to the Bank, not later than September 30, 1994 and September 30, 1996, respectively. Such interim reviews shall, inter alia:

(a) determine overall implementation progress and ways of improving Project operations, for the achievement of the Project objectives;

(b) allow opportunity to effect changes in policy, which may be necessary upon experience during the initial Project execution period and effect mid-course adjustments, if necessary, in Project execution; and

(c) identify possible follow-up operations.

ANNEX TO SCHEDULE 5

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (4) 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 \$8 million to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for 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) 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.

