

CONFORMED COPY

LOAN NUMBER 3409 RO

(Health Rehabilitation Project)

between

ROMANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 7, 1991

LOAN NUMBER 3409 RO

LOAN AGREEMENT

AGREEMENT, dated October 7, 1991, between ROMANIA (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 of the Borrower;

(b) "DMCH" means MOH's General Directorate for Maternal and Child Health;

(c) "IMCA" means the MOH's Institute for Mother, Child and Adolescent;

(d) "Dispensary" means a primary health care unit;

(e) "PCU" means the Project Coordination Unit, established within MOH and to be maintained in accordance with the provisions of Part A of Schedule 5 to this Agreement;

(f) "FPSEU" means the Family Planning and Sex Education Unit, established within DMCH;

(g) "PBNS" means the Post Basic Nursing School in Bucharest;

(h) "Steering Committee" means the Borrower's Steering Committee for Strategic Studies for Reform;

(i) "HSMI" means MOH's Health Services Management Institute;

(j) "SHSM" means the School of Health Systems and Management, to be established within HSMI under Part B (3) of the Project;

(k) "NCHPE" means the National Center for Health Promotion and Education, to be established under Part A (6) of the Project;

(l) "RHC" means a Reproductive Health Center in the health delivery system of MOH;

(m) "MOI" means the Borrower's Ministry of Industry;

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

(o) "Interbank Market Rate" means the foreign currency exchange rate for the Borrower's currency as established from time to time in accordance with the provisions of the Borrower's Law No. 15 of the year 1990.

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 fifty million dollars (\$150,000,000), 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 (or such other convertible currency as the Borrower and the Bank may agree upon) a special deposit account in a bank on terms and conditions satisfactory to the Bank, including appropriate protection against set off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1996 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 1 and December 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MOH and MOI with due diligence and efficiency and in conformity with appropriate public health, financial and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods 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 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 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) prepare and review with the Bank, by September 30, 1992, a plan for contraceptive marketing and distribution, and

(b) make adjustments to the fees charged by the Borrower's health institutions for performance of reproductive health interventions and take other appropriate measures, all designed to make the use of contraceptives, from a financial standpoint, a preferred measure for family planning.

Section 4.03. (a) The Borrower shall (i) ensure that all drugs procured under Part A (4) of the Project shall be sold to the Borrower's health institutions and pharmacies at least at their port of entry (CIF) price, converted into the Borrower's currency at the market exchange rate, plus a suitable distribution margin, and (ii) finalize the national drugs formulary for its pharmaceutical public sector by March 1, 1992.

(b) For the purposes of paragraph (a) of this Section, the term "market exchange rate" means the average Interbank Market Rate during the calendar month preceding the date of payment by the Borrower on account of drugs procured under Part A (4) of the Project, or such other market-determined exchange rate published, on the date of such payment, by the Borrower's Central Bank and acceptable to the Bank.

ARTICLE V

Effective Date; Termination

Section 5.01. 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 the PCU has been staffed in accordance with the provisions of paragraph A (1) of Schedule 5 to this Agreement.

Section 5.02. The date 90 days after date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Economy and 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 Economy and Finance
8 Doamnei Street
Bucharest
Romania

Cable address:	Telex:
Ministry of Economy and Finance Bucharest	11239 MINFIN

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.

ROMANIA

By /s/ Virgil Constantinescu
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Harinder Kohli
Acting Regional Vice President
Europe, 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) Goods:		100% of foreign expenditures

(a) medical supplies	76,000,000	100% of local expenditures (ex-factory cost)
(b) equipment, materials, spare parts and vehicles	45,000,000	
(2) Consultants' services and training	9,000,000	100% of foreign expenditures
(3) Unallocated	20,000,000	
TOTAL	150,000,000	=====

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; 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 payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$10,000,000, may be made on account of payments made for expenditures before that date but after April 30, 1991.

SCHEDULE 2

Description of the Project

The objectives of the Project are to rehabilitate and upgrade the Borrower's system for delivery of primary health care and to initiate a major restructuring of the management and finance of its health sector.

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: Primary Health Care

(1) Rehabilitation of about 420 Dispensaries in rural areas, and the provision therefor of clinical and dental equipment, educational materials, and specialist services and fellowships.

(2) Improving reproductive health care services through:

- (a) provision for IMCA of (i) equipment for its Intensive Care Department (high risk pregnancy and neonatal) and Cancer Detection Center and for training of general practitioners, midwives and nurses, and (ii) training fellowships for instructors, and in new specializations, public communications and management,
- (b) provision for FPSEU of audiovisual equipment and of technical assistance and training fellowships,
- (c) provision of (i) equipment, educational materials, supplies and training for 10 RHCs, (ii) equipment and minor renovation work to open or upgrade about 230 RHCs

in district and urban hospitals and polyclinics, (iii) technical assistance to develop training materials and specialized training for physicians, and (iv) contraceptives, and

- (d) upgrading the diagnostic and curative capacity of about 50 maternity/neonatal referral units, including the provision of equipment and training.

(3) Strengthening pre- and in-service training for nurses and physicians through:

- (a) provision for PBNS of technical assistance, training fellowships, equipment and software for the development of training programs,
- (b) provision of audiovisual and teaching materials and equipment for about 41 nursing schools, and
- (c) provision of training equipment and materials, fellowships and technical assistance to improve continuing education for physicians.

- (4) (a) Provision of (i) essential drugs and other medical consumables, (ii) equipment to ensure the continued production of vaccines and of safe blood products, and (iii) technical assistance and computer equipment and materials to assist the regional distribution systems for medical supplies in stock management, warehousing, distribution and accounting.

- (b) preparation, on the basis of a comprehensive study, of a strategic plan for the restructuring and rehabilitation of the domestic pharmaceutical industry.

(5) Improving emergency services through the provision of (a) communications equipment for about 60 Dispensaries, (b) ambulances and spare parts for the district emergency transport systems, and (c) technical assistance to review the emergency transport system at the district level.

(6) Improving health awareness and population's participation in health care through: (a) establishment, at the Institute of Hygiene and Public Health in Bucharest, of a National Center for Health Promotion and Education (NCHPE) and the provision for said Center of (i) fellowships for advanced training, (ii) technical assistance in management and in evaluation and monitoring, and (iii) equipment for the production of health promotion and training materials, (b) provision of fellowships and office equipment for a medical ethics unit to be established at MOH, (c) carrying out of measures for health promotion at the district level, including (i) training programs for staff working at district health education laboratories, and (ii) provision of equipment for such laboratories for the production of local health education and promotion materials, (d) establishment of a fund to support initiatives by local and non-governmental groups for health promotion, and (e) provision of technical assistance, fellowships, equipment and materials for the promotion of environmental health.

Part B: Restructuring of the Finance and Delivery Systems of Health Services

(1) Preparation and the start of implementation of a new national health strategy, including: (a) carrying out of studies of health policies and the development, on the basis thereof, of reform proposals, (b) preparation by the Steering Committee, with the assistance of experts, of a time-phased plan for implementation of such reforms, including specification of the resource requirement thereof, (c) carrying out of a two-year pilot decentralization program in four districts, including the provision for such districts of technical assistance in the preparation and implementation of their action plans for delivery of health care,

fellowships in management of health facilities and equipment and materials, and (d) introduction of operating procedures to decentralize the management of the system for health services.

(2) Development of a national health information system, including the provision of technical assistance, training and equipment required for initiating the operation thereof.

(3) Establishment within HSMI of the School of Health Systems and Management (SHSM) to be responsible for training of health care managers, and the provision for HSMI and SHSM of fellowships and equipment.

* * * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each June 1 and December 1	
beginning June 1, 1997 through December 1, 2008	6,250,000

* The figure in this column represents the dollar equivalent 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

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. The Borrower shall enter into arrangements satisfactory to the Bank with the United Nations Children's Fund (UNICEF), under which UNICEF shall act as an agent of the Borrower for the procurement of drugs and consumables, in accordance with the procedures referred to in paragraph 1 of this Part A.

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 Romania 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. Drugs and equipment which are available in UNICEF's warehouses may be supplied directly by UNICEF to the Borrower under arrangements and on terms and conditions satisfactory to the Bank.

2. Items of equipment, drugs, contraceptives or disposable supplies estimated to cost not more than the equivalent of \$200,000 per contract, up to an aggregate amount not to exceed the equivalent of \$15,000,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. (a) Software and educational materials, estimated to cost in the aggregate the equivalent of not more than \$2,700,000, (b) spare parts required for compatibility with existing equipment, estimated to cost in the aggregate the equivalent of not more than \$3,000,000, and (c) proprietary drugs, contraceptives and disposable supplies, estimated to cost in the aggregate the equivalent of not more than \$4,900,000, may be procured under contracts to be concluded with the suppliers thereof on terms and conditions 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 \$200,000 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 the Bank has authorized withdrawals 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 the carrying out of the Project, the Borrower shall employ, or cause MOH and MOI to 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

A. Project Coordination

MOH shall coordinate the carrying out of the Project through the Project Coordination Unit (PCU) established and to be maintained within it, and shall, for the purpose:

(1) ensure that the staffing of PCU shall at least include a Project coordinator, a procurement specialist, an accountant and a secretary; and

(2) assign to PCU the responsibility for coordinating the procurement of goods and services under the Project, the maintenance of Project accounts and arranging for the audit thereof and liaising with the Bank for purposes of Project administration and supervision.

B. Project Implementation

(1) The Borrower shall cause MOH (a) to ensure the adequate staffing of FPSEU by December 31, 1991, and (b) to prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, for its review and comment, by July 1, 1992, a career development plan for nurses, and to initiate the implementation of such plan, by January 1, 1993, taking into account the Bank's comments thereon.

(2) The Borrower shall cause MOH to assign to its Directorate of Human Resources two additional professionals with relevant qualifications and experience to be responsible for coordination of training under Part A (3) of the Project.

(3) The Borrower shall cause MOI (a) to prepare, under terms of reference satisfactory to the Bank, and review with the Bank, by December 31, 1992, the strategic plan for the pharmaceutical industry, referred to in Part A (4) (b) of the Project, including a time schedule for the implementation thereof, and (b) based on such review, to proceed thereafter with the implementation of such plan in accordance with such time schedule.

(4) The Borrower shall cause MOH, by December 31, 1992: (a) to organize and staff NCHPE in a manner satisfactory to the Bank, (b) to prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, for its review, a plan for the carrying out of measures included under Part A (6) (b), (c) and (d) of the Project, and (c) thereafter to carry out such plan, taking into account the Bank's comments thereon.

(5) The Borrower shall cause MOH: (a) to complete, under terms of reference satisfactory to the Bank, the studies referred to in Part B (1) (a) of the Project and to prepare, on the basis thereof, proposals for reform in the health policy areas referred to

in said Part B (1) (a) of the Project, and (b) to review such proposals with the Bank, by December 31, 1992, and to prepare, on the basis of such review, by July 1, 1993, an action program, including a time schedule for the implementation of such proposals.

(6) The Borrower shall cause MOH: (a) to introduce, in a manner satisfactory to the Bank, by December 31, 1991, the operating procedures, referred to in Part B (1) (d) of the Project, for decentralizing the management of the system for health services, (b) to proceed with the implementation of the pilot program referred to in Part B (1) (c) of the Project, by January 1, 1992 and to furnish to the Bank semiannual reports on progress in the carrying out of such program, (c) to prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, for its comments, by December 31, 1993, a report evaluating such program and discussing a plan for its introduction on a country-wide basis, and (d) to proceed thereafter with the implementation of such plan, taking into account the Bank's comments thereon.

(7) The Borrower shall cause MOH, by March 1, 1992: (a) to ensure the issuance of appropriate certifications for the program and graduates of SHSM, and (b) to prepare, under terms of reference satisfactory to the Bank, and review with the Bank a system of incentives designed to attract qualified individuals to the career of health management.

C. Reports

The Borrower shall cause MOH: (a) to prepare and furnish to the Bank semiannual reports, in accordance with a format satisfactory to the Bank, on the status of Project implementation and annual reports evaluating, on the basis of indicators agreeable to the Bank, the impact of the Project, and (b) to undertake jointly with the Bank, in June 1993, a mid-term review of the Project.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 \$10,000,000 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 less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions 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 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.

