CREDIT NUMBER 4153-VN

Development Credit Agreement

(Mekong Regional Health Support Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 24, 2006
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 24, 2006, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) by an agreement to be entered between the Borrower and the Association as administrator of grant funds provided by Japan under the Japan Policy and Human Resources Development Fund (PHRD) (the PHRD Grant Agreement), the Borrower will receive a grant in an amount not exceeding five million Dollars ($5,000,000) (the PHRD Grant) to assist in the financing of Parts A, B and D of the Project, on the terms and conditions set forth in the PHRD Grant Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit 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 Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement.

(a) Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. Treatment of Taxes

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency
in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association."

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

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) “Catastrophic Health Care Reimbursements” means payments made by the Fund Management Board (as defined below) of a Project Province (as defined below) to service providers, for the account of eligible beneficiaries and in reimbursement for eligible health care expenditures above established ceilings, pursuant to guidelines set forth in the action plan submitted by said Project Province and approved for financing under Part A.2 (a) of the Project.

(b) “CTCGH” means Can Tho Central General Hospital.

(c) “CTUMP” means Can Tho University of Medicine and Pharmacy.

(d) “CPMU” means the Central Project Management Unit to be established within the Ministry of Health and responsible for the overall management and coordination of Project activities, in accordance with the provisions of paragraph 1(a) of Schedule 4 to this Agreement.

(e) “DOH” means a Department of Health at the provincial level.

(f) “Ethnic Minorities Policy Framework” means the policy framework dated January 2006, adopted by the Borrower’s Ministry of Health through Decision No. 100/QD-BYT dated January 12, 2006, referred to in paragraph 11 of Schedule 4 to this Agreement, which sets out: (i) policies and procedures to ensure meaningful consultation with and informed participation of ethnic minority communities who are present in the Project area; and (ii) principles for the preparation of ethnic minorities development plan or plans, as may be required, during the implementation of the Project, as said Framework may be revised from time to time with the prior concurrence of the Association.
(g) “Ethnic Minorities Development Plan” means the plan dated January 2006, adopted by the Borrower’s Ministry of Health through Decision No. 100/QD-BYT dated January 12, 2006, prepared in accordance with the policies and procedures set forth in the Ethnic Minorities Policy Framework, and referred to in paragraph 11 of Schedule 4 to this Agreement; said Plan setting forth measures designed to ensure: (i) meaningful consultation with and informed participation of ethnic minority communities in the Project Provinces in said Provinces’ respective Project activities; and (ii) Project benefits for said communities which are culturally appropriate and socially inclusive.

(h) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement.

(i) “Fund Management Board” means, in respect of each Project Province, the Board established by the Chairman of the Provincial People’s Committee pursuant to Prime Minister’s Decision 139/2002/QD-TTg dated October 15, 2002 and the Interministerial Circular 14/2002/TTLT-BYT-BTC dated December 16, 2002 from the Ministry of Health and Ministry of Finance, to manage its respective Provincial Health Care Fund for the Poor (as defined below).

(j) “Health Care Fund For the Poor” and the acronym “HCFP” mean the fund established in each province pursuant to Prime Minister’s Decision 139/2002/QD-TTg dated October 15, 2002, for the purposes of ensuring health care services for the poor; and “Health Care Funds for the Poor” means, collectively, all of said funds.

(k) “Health Insurance Premium Subsidies” means payments made by the Fund Management Board of a Project Province to Vietnam Social Security (as defined below), for the account of eligible beneficiaries, of up to thirty percent (30%) of the annual premium for the voluntary insurance scheme, pursuant to guidelines established in the action plan submitted by said Project Province and approved for financing under Part A.3(a) of the Project.

(l) “IAPSO” means the Inter-Agency Procurement Services of the United Nations.

(m) “IEC” means information, education and communication.

(n) “Innovation Activity” means a pilot scheme under Part A.4 (a) of the Project designed with the aim of improving the effectiveness of a Health Care Fund for the Poor in reaching the poor population and ensuring their access to health services, which may be eligible for financing under a Sub-grant (as defined below).

(o) “LPMU” means the Local Project Management Unit to be established in each Project Province, and in Can Tho Central General Hospital and Can Tho University of Medicine and Pharmacy, responsible for the implementation of Project activities in the respective Project Province, or at CTCGH or CTUMP, as the case may be, all in
accordance with the provisions of, respectively, paragraphs 2(a) and 2(b) of Schedule 4 to this Agreement; and “LPMUs” means, collectively, all of said units.

(p) “Medical Waste Management Plan” means the plan dated January 2006, prepared by Ministry of Health for the management of hazardous health/medical waste under the Project, referred to in paragraph 12 of Schedule 4 to this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Medical Waste Management Plan.

(q) “Mekong Region” means the area of the Mekong river delta currently covering the thirteen Project Provinces (as defined below).

(r) “MOH” means the Borrower’s Ministry of Health, and any successor thereto.

(s) “The Near-Poor” means individuals and households with an income above the poverty line as defined by the Borrower from time to time, but vulnerable to falling below said poverty line on account of illnesses, accidents, natural disasters or other economic shocks.

(t) “Operations Manual” means the manual to be adopted by MOH to provide procedures and guidelines for the implementation of the Project, and referred to in paragraph 4 of Schedule 4 to this Agreement, as such Manual may be amended from time to time with the prior concurrence of the Association.

(u) “Phase 1 Equipment” means equipment procured or proposed to be procured under Parts B.1 and B.2 of the Project to enable: (i) hospitals and health facilities in the Project Provinces to provide essential health care, and (ii) CTCGH to provide core tertiary-level curative care services.

(v) “Phase 2 Equipment” means equipment procured or proposed to be procured under Parts B.1 and B.2 of the Project to enable: (i) hospitals and health facilities in the Project Provinces to expand selected curative care services, and (ii) CTCGH to expand tertiary-level services, in each case in response to demand and health needs.

(w) “The Poor” means individuals and households with income below a level defined by the Borrower from time to time.

(x) “Procurement Plan” means the Borrower’s procurement plan, dated January 20, 2006 covering the initial eighteen (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation.
“Project Provinces” means those Provinces of the Borrower in the Mekong Region listed in the Annex to Schedule 2 to this Agreement, as such list may be amended from time to time by mutual agreement of the Borrower and the Association, and any successor thereto; and a “Project Province” means any of said Project Provinces.

“Provincial Preventive Medicine Centers” means centers established by Provinces to manage health promotion and prevention activities; and a “Provincial Preventive Medicine Center” means any of such Centers.

“Regional Advisory Committee” means the committee to be established by the Borrower to support the CPMU in providing assistance to the Project Provinces, in accordance with the provisions of paragraph 1(b) of Schedule 4 to this Agreement.

“Special Account” means the account referred to in Section 2.02(b) of this Agreement.

“Sub-grant” means a sub-grant made to an eligible Project Province out of the proceeds of the Credit for purposes of assisting in the financing of Catastrophic Health Care Reimbursements under Part A.2(a) and/or Health Insurance Premium Subsidies under Part A.3(a) and/or an Innovation Activity under Part A.4(a), all under said Province’s action plan to improve access to health care services for the Poor and Near-Poor, in accordance with the provisions of paragraph 6 of Schedule 4 to this Agreement.

“VSS” means Vietnam Social Security, the agency of the Borrower established pursuant to Decree No. 19/CP dated February 16, 1995, responsible, through its department of Vietnam Health Insurance, for inter alia, the purchase of health services for and the issuance of medical insurance cards to beneficiaries, pursuant to the provisions of Decree 63/2005/ND-CP dated May 16, 2005.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to forty-eight million eight hundred thousand Special Drawing Rights (SDR 48,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A (other than under Parts A.2 (a), A.3 (a) and A.4 (a)), B, C, D and E of the Project and to be financed out of the proceeds of the Credit; and (ii) for amounts paid (or, if the Association shall so agree, to be paid) by the Borrower on account of a Sub-grant made to an eligible Project Province under
Parts A.2 (a), A.3 (a) and A.4 (a) of the Project to provide Catastrophic Health Care Reimbursements under Part A.2 (a), and/or to provide Health Insurance Premium Subsidies under Part A.3 (a), and/or to meet the reasonable cost of goods and services for an eligible Innovation Activity, and in respect of which Sub-grant the withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a separate special deposit account in a commercial bank on terms and conditions satisfactory to the Association, 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 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 20, 2012 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June
1 and December 1 commencing June 1, 2016 and ending December 1, 2045. Each installment to and including the installment payable on December 1, 2025 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower’s per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

(A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and

(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower’s economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.
ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MOH and the Project Provinces, with due diligence and efficiency and in conformity with appropriate administrative, financial, managerial, and public health practices and sound social and environmental standards acceptable to the Association, 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 Association 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. (a) Except as the Association shall otherwise agree, procurement of the goods and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association’s approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association 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 Association, a plan designed to ensure the continued achievement of objectives of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.
(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association); (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association;

(iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

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

(i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Association’s representatives to examine such records; and

(iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower’s progress reporting obligations set out in paragraph 14 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, 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 Credit and the PHRD Grant, 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 Financial Monitoring Report shall be furnished to the Association not later than 45 days after the end of the first calendar 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 calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely that:

(a) (i) Subject to sub-paragraph (ii) of this paragraph (a), the right of the Borrower to withdraw the proceeds of the PHRD Grant, made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the PHRD Grant Agreement;

(ii) Sub-paragraph (i) of this paragraph (a) shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely, the event specified in paragraph (a) (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (a) (ii) of that Section.
ARTICLE VI

Effective Date; Termination

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

(a) MOH has: (i) adopted an Operations Manual, including a financial management manual; (ii) established a financial management system, including developing a suitable chart of accounts; and (iii) completed the training of the financial staff of CPMU and the LPMUs in the application of such financial management system; in accordance with the provisions of paragraphs 4 and 5, respectively, of Schedule 4 to this Agreement;

(b) The CPMU: (i) has been established in accordance with the provisions of paragraph 1(a) of Schedule 4 to this Agreement; and (ii) has selected a procurement advisor in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement;

(c) The Project Provinces, CTCGH and CTUMP have established their respective LPMUs in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement; and

(d) the PHRD Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder have been fulfilled, except the effectiveness of the Development Credit Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Ethnic Minorities Policy Framework, the Ethnic Minorities Development Plan and the Medical Waste Management Plan have been duly adopted by the Borrower through MOH; and the Ethnic Minorities Policy Framework, the Ethnic Minorities Development Plan and the Medical Waste Management Plan are valid and binding in accordance with their respective terms.

Section 6.03. 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 Governor or any Deputy Governor of the State Bank of Vietnam 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:

State Bank of Vietnam
49 Ly Thai To
Hanoi
Socialist Republic of Vietnam

Cable address: VIETBANK
Telex: 412248
Facsimile: (84-4) 8 250 612

For the Association:

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

Cable address: INDEVAS
Telex: 248423 (MCI)
Facsimile: (1-202) 477-6391

Washington, D.C. or 64145 (MCI)
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Hanoi, Socialist Republic of Vietnam, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By /s/ Le Duc Thuy

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Klaus Rohland

Authorized Representative
SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>32,400,000</td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>(2) Consultants’ Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Parts C and E of the Project</td>
<td>1,255,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) under Parts A, B and D of the Project</td>
<td>975,000</td>
<td></td>
</tr>
<tr>
<td>(3) Training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Parts C and E of the Project</td>
<td>487,900</td>
<td>100%</td>
</tr>
<tr>
<td>(b) under Parts A, B and D of the Project</td>
<td>3,912,100</td>
<td></td>
</tr>
<tr>
<td>(4) Sub-grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Part A.2 (a) of the Project</td>
<td>697,000</td>
<td>100% of amounts of Sub-grants disbursed</td>
</tr>
<tr>
<td>(b) under Parts A.3 (a) and A.4 (a) of the Project</td>
<td>4,183,000</td>
<td></td>
</tr>
<tr>
<td>(5) Incremental Operating Costs</td>
<td>2,790,000</td>
<td>100% through December 31, 2008, and thereafter 80%</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>2,100,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>48,800,000</td>
<td></td>
</tr>
</tbody>
</table>
2. For the purposes of this Schedule:

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

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

(c) the term “Incremental Operating Costs” means the reasonable costs of expenditures incurred by the CPMU, the Regional Advisory Committee and LPMUs in carrying out the Project (which expenditures would not have been incurred absent the Project), including travel costs and per diem for Project implementation staff, office consumables, communication expenses and courier services, translation and interpretation costs, costs related to bidding, but in all cases excluding salaries and salary supplements of civil servants.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR140,000, may be made in respect of Categories (1), (2)(a), (3)(a) and (5) on account of payments made for expenditures before that date but after January 1, 2006; and

(b) payments made in respect of Categories 2(b) and 3(b) until disbursements under Categories 1 and 2, respectively, set forth in the Table of paragraph 1 in Schedule 1 to the PHRD Grant Agreement have been completed.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than $150,000 equivalent per contract; (b) services of individual consultants costing less than $50,000 equivalent per contract; (c) services of consulting firms costing less than $100,000 equivalent per contract; (d) training and Incremental Operating Costs; all under such terms and conditions as the Association shall specify by notice to the Borrower.
SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to improve health services in the Mekong Region and to enhance access to and coverage of these services in the Project Provinces, especially for the poor population, through: (i) strengthening the health financing policy framework and increasing the financial accessibility of health services for the Poor and Near-Poor; (ii) improving the availability and quality of curative care, including responsiveness to changing disease patterns; (iii) increasing the capacity of preventive health activities; and (iv) building the capacity of the health workforce.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Protecting the Poor and Near-Poor

Carrying out a program to enhance access to health care services for the Poor and Near-Poor population in the Project Provinces, consisting of:

1. Improving the effectiveness and efficiency of the Health Care Funds for the Poor, including formulating new management models, developing methods to identify newly defined target beneficiaries, enhancing coordination, collaboration and communication among relevant agencies, and developing mechanisms for health service purchasing.

2. (a) Developing and piloting schemes to provide coverage of catastrophic health care costs for the Poor and Near-Poor population in the Project Provinces; and (b) evaluating the impact of such coverage on health care consumption and financial protection.

3. In selected Project Provinces: (a) testing mechanisms to increase enrollment of the Near-Poor in the voluntary health insurance scheme including through the partial payment of premia; and (b) evaluating the impact of such mechanisms on healthcare utilization and health expenditures.

4. In selected Project Provinces: (a) supporting innovations to expand the reach of the Health Care Funds for the Poor including targeting of ethnic minorities, improving access for migrant laborers, and fostering public-private partnerships in health care provision for the Poor; and (b) monitoring and evaluating the impacts of such innovations.
Part B: Curative Care Quality and Capacity

Carrying out a program to improve the quality and capacity of health services in the Mekong Region, consisting of:

1. Strengthening the capacity of hospitals and health facilities in the Project Provinces to provide essential health care, and to expand selected curative care services in response to demand and health needs.

2. Strengthening the capacity of Can Tho Central General Hospital to provide core tertiary-level curative care services, and to expand selected tertiary-level curative care services in response to demand and health needs.

3. Evaluating health information needs and strengthening the hospital information system to enable assessments of health facilities and region-wide health patterns.

4. Strengthening the capacity of the Project Provinces and their health facilities to develop and implement hospital waste management.

5. Supporting the development and implementation of a regulatory framework for the private health service sector, including developing procedures and guidelines for the accreditation of private health care facilities, and a monitoring and quality assurance system for private health care providers, and training staff in the public and private health sectors on requirements for health insurance payments.

Part C: Preventive Health Capacity

Carrying out a program to build the preventive health system capacity in the Mekong Region to address long-standing disease threats as well as new health challenges, consisting of:

1. Improving the laboratory services of the Provincial Preventive Medicine Centers of the Project Provinces.

2. Strengthening the disease surveillance system in the Mekong Region.

Part D: Human Resources Development

Carrying out a program to improve the capacity of the health workforce in the Project Provinces to deliver quality health services, especially for the poor population, consisting of:

1. Improving the capacity of health staff in the Project Provinces in curative care, preventive health and health management.
2. Strengthening the capacity of Can Tho University of Medicine and Pharmacy and the Mekong Regional teaching network to organize and deliver priority training activities to provide services for the poor population.

3. Developing and piloting non-training human resources initiatives in selected Project Provinces, including carrying out strategic human resources planning, establishing a human resources information system, and developing schemes to attract, recruit and retain health workers.

Part E: Project Management

Strengthening the capacity to manage, monitor and evaluate the Project.

* * *

The Project is expected to be completed by December 31, 2011.
Annex to Schedule 2

List of Project Provinces

An Giang
Bac Lieu
Ben Tre
Ca Mau
Can Tho
Dong Thap
Hau Giang
Kien Giang
Long An
Soc Trang
Tien Giang
Tra Vinh
Vinh Long
SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than $150,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding and the additional provisions set forth in the Annex to this Schedule 3.

2. Shopping. Goods estimated to cost less than $30,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. Procurement from UN Agencies. Ambulances may be procured directly from IAPSO in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.
Section III. Particular Methods of Procurement of Consultants’ Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section III, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $200,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants’ Qualifications. Services 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, 3.7 and 3.8 of the Consultant Guidelines.

3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis with the prior approval of the Association.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods estimated to cost the equivalent of $150,000 or more; (b) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more; and (c) each contract for consulting services procured on the basis of Single Source regardless of the value thereof. In addition, with respect to each contract for the employment of individual consultants estimated to cost the equivalent of $50,000 or more, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to
prior approval by the Association. All other contracts shall be subject to Post Review by the Association.
Annex to Schedule 3

National Competitive Bidding Procedures

The Borrower represents that the procedures to be followed for National Competitive Bidding shall be those set forth in Decree 88/1999/ND-CP dated September 1999, as modified by Decree 14/2000/ND-CP dated May 2000 and Decree 66/2003/ND-CP dated June 2003; and, in order to ensure economy, efficiency and transparency and broad consistency with the provisions of Section I of the Guidelines (as required by paragraph 3.3 of the Guidelines), goods and works for which this Schedule 3 allows procurement using National Competitive Bidding shall be procured in accordance with paragraphs 3.3 and 3.4 of the Guidelines and the following paragraphs.

Participation in bidding and preferences

(i) For clarification purposes, it is understood that the last sentence of the amended Paragraph (c), Section 2, Article 2 of Decree 88/1999/ND-CP which states that "All the procedures for submission, appraisal and approval of bidding results and bidder selection results shall follow the Procurement Regulation" means "Approvals of draft bidding documents, bid evaluation reports and proposals for award shall be obtained in accordance with the relevant rules and procedures of the Procurement Regulation".

(ii) Government-owned enterprises in Vietnam shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Borrower or the procuring entity. Military or security units, or enterprises which belong to the Ministry of Defense or the Ministry of Public Security shall not be permitted to bid.

(iii) Foreign bidders shall be eligible to participate in bidding under the same conditions as local bidders, and local bidders shall be given no preference (either in the bidding process or in bid evaluation) over foreign bidders, nor shall bidders located in the same province or city as the procuring entity be given any such preference over bidders located outside that city or province.

(iv) Bidders shall be allowed to participate in bidding without being listed in the Government Database on Bidder Information or in any other registration system.

(v) Prospective bidders shall be permitted to request bidding documents either in person or through the mail upon submission of a written application. Bidding documents shall be sold to anyone who is willing to pay the required fee of the bidding documents, and no other conditions shall be imposed on the sale of the bidding documents. The fee for the bidding documents should be reasonable and consist only of the cost of printing (or photocopying) the documents and their delivery to the purchaser. The bidding documents shall be delivered, at the prospective bidders' preference, either by hand or by...
mail/courier provided that the bidder is willing to pay the mail/courier delivery charges which should be specified in the Invitation for Bids. Each bidder shall be allowed to purchase only one set of the bidding documents.

(vi) Foreign bidders shall not be required, in order to participate in bidding or as a condition of award of the contract or during execution of the contract, to enter into a joint venture with a local bidder, or to subcontract part of their contract to a local bidder.

(vii) If there is prequalification, all prequalified bidders shall be invited to bid.

(viii) If there is limited bidding because there are only a limited number of bidders who can meet the requirements of the bidding documents, all of these bidders shall be invited to bid.

(ix) Bidders shall not be required, as a condition of participation in the bidding, to provide suppliers’ credits.

Advertising; time for bid preparation

(x) Invitations to bid shall be advertised in at least one widely circulated national newspaper. In addition, the Borrower is encouraged to advertise in the Government Public Procurement Bulletin and on a free and open access website. A minimum of 30 days for the preparation and submission of bids shall be provided, and potential bidders shall be allowed to purchase bidding documents up to 24 hours prior to the deadline for the submission of bids.

Standard Bidding Documents

(xi) The Borrower’s standard bidding documents, acceptable to the Association, shall be used. The bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission and opening of bids. Bidders shall be allowed to submit bids by hand or by mail.

Qualification criteria and evaluation criteria

(xii) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only criteria so specified, shall be used to determine whether a bidder is qualified. The evaluation of the bidder’s qualifications should be conducted separately from the technical and commercial evaluation of the bid. When post qualification is applied, the assessment of bidders’ qualifications shall be carried out only after the preliminary and detailed evaluation of bids has been completed by the Purchaser/Employer and, in doing so, the qualifications of the bidder who has submitted the lowest evaluated substantially responsive bid shall be assessed first. In carrying out the post-qualification assessment, the Employer/Purchaser shall exercise reasonable judgment in requesting, in writing, from a bidder only missing factual or historical supporting information related to the bidder's qualifications and shall provide a
reasonable time period (that is, a minimum of 7 days) to the bidder to provide his response.

(xiii) Evaluation criteria shall be clearly specified in the bidding documents, and evaluation criteria other than price shall be quantified in monetary terms. All evaluation criteria so specified, and only evaluation criteria so specified, shall be taken into account in bid evaluation. Merit points shall not be used in bid evaluation.

Bid opening, evaluation and award of contract

(xiv) Bids shall be opened in public, immediately after the stipulated deadline for submission of bids. Bidders or their representatives shall be allowed to be present. The name of the bidder and total amount of each bid, including discounts, shall be read aloud and recorded. Immediately after completion of the bid opening proceedings, a copy of the bid opening record shall be posted at a prominent location, accessible to the public, outside the office of the concerned procuring entity and shall be retained at the same location until the award of contract has been notified. A copy of the bid opening record shall be promptly provided to all bidders who submitted bids.

(xv) Bids received after the deadline for bid submission shall be returned to the bidders unopened.

(xvi) All bids shall not be rejected or new bids solicited without the Association’s prior concurrence.

(xvii) No bidder shall be rejected merely on the basis of a comparison with the owner’s estimate and budget ceiling without the Association’s prior concurrence.

(xviii) A bid containing material deviations from, or reservations to, the terms, conditions or specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened. Bidders shall not be eliminated from detailed evaluation on the basis of non-material, minor deviations or reservations.

(xix) Evaluation of bids shall be made in strict adherence to the criteria specified in the bidding documents, and contracts shall be awarded to the qualified bidder offering the lowest evaluated and responsive bid.

(xx) A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify the bid as originally submitted.

(xxi) There shall be no post-bidding negotiations with the lowest or any other bidder.

(xxii) The Borrower shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association and the Government, if it at
any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, an Association-financed contract.

**Suppliers and Contractors**

(xxiii) Bidding documents and contracts under national competitive bidding procedures financed by the Association shall include a provision requiring suppliers and contractors to permit the Association to inspect their accounts and records relating to the bid submission and the performance of the supplier and/or contractor, as the case may be, and to have them audited by auditors appointed by the Association, if so required by the Association.

(xxiv) License for foreign contractors operation in Vietnam would be provided in a timely manner and will not be arbitrarily withheld.

**Publication of the Award of Contract**

(xxv) The Borrower shall publish the following information on contract award in Government Public Procurement Bulletin [when established] or on a free and open access website or on another means of publication acceptable to the Association: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid that was evaluated; (d) name of bidders whose bids were rejected and the reasons for their rejection; and (e) name of the winning bidder, price it offered as well as the duration and summary scope of the contract awarded. This publication shall be updated quarterly.

**Complaints by Bidders and Handling of Complaints**

(xxvi) The national competitive bidding procedures for contracts financed by the Association shall include provisions, acceptable to the Association, for bidders to protest.

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**SCHEDULE 4**

**Implementation Program**

Project Management
1. The Borrower shall:

(a) establish and, thereafter throughout the period of implementation of the Project, maintain, a Central Project Management Unit within the Ministry of Health, to be responsible, inter alia, for: (i) providing overall management and coordination of Project activities, including overall financial management, and management of all international procurement; (ii) supporting and guiding the Local Project Management Units in the implementation of Project activities, including providing technical support in the development of annual work programs, assessment of equipment needs and preparation of procurement plans; (iii) assessing action plans submitted by selected Project Provinces to enhance access to health care services for the poor and near poor and reviewing the related Sub-grant applications; (iv) coordinating among relevant departments within MOH and with other central line agencies; and (v) monitoring and evaluating the implementation of the Project; said Unit to be provided with adequate resources, under the direction of qualified managers and staffed with competent personnel in sufficient numbers, including a Project director, deputy Project director, two procurement officers, a chief accountant, and technical officers in the field of health, medical equipment, fund management, human resources/training, each with qualifications and experience and under terms of reference satisfactory to the Association;

(b) by no later than September 30, 2006, establish a Regional Advisory Committee, with representation, functions, responsibilities and procedures acceptable to the Association and adequate to enable said Committee to provide support to the CPMU in: (i) coordinating Project activities at the provincial level; (ii) assisting the Project Provinces in developing their respective annual work programs; (iii) fostering decentralization; and (iv) building inter-provincial collaboration and regional-level capacity.

2. The Borrower:

(a) shall cause each Project Province to establish and, thereafter throughout the period of implementation of its respective Project activities, maintain a Local Project Management Unit under the Provincial Department of Health, to be responsible, inter alia, for: (i) formulating a provincial annual work program, including a procurement plan, and thereafter managing the implementation of provincial-level Project activities, including procurement and financial management, in accordance with said annual work program; (ii) supporting the provincial Fund Management Board in improving the effectiveness and efficiency of the provincial Health Care Fund for the Poor to ensure health services for the poor; and (iii) monitoring and evaluating the implementation of Project activities within said Project Province, including, in the event that any Sub-grant is made to said Province, assessing the progress in implementation by the provincial Fund Management Board of the action plan submitted in connection with said Sub-grant and reporting thereon to the CPMU; said provincial LPMU to be provided with adequate resources, under the direction of qualified managers and staffed with competent personnel in sufficient numbers, including a director, deputy director, procurement
officer, a chief accountant, all with qualifications, experience and under terms of reference satisfactory to the Association;

(b) shall cause Can Tho Central General Hospital and Can Tho University of Medicine and Pharmacy each to establish and, thereafter throughout the period of implementation of its respective Project activities, maintain its Local Project Management Unit, to be responsible for managing its respective activities under the Project, including the formulation of its annual work program, procurement and financial management in accordance with said work program; said Unit to be provided with adequate resources, under the direction of qualified managers and staffed with competent personnel in sufficient numbers, with qualifications, experience and under terms of reference satisfactory to the Association.

3. For purposes of supporting the CPMU to manage procurement activities at the central level, and to assist the LPMUs in managing procurement activities at the provincial and institutional levels, as the case may be, the Borrower shall, by no later than September 30, 2006, engage, in accordance with the provisions of Schedule 3 to this Agreement, a procurement advisor with qualifications and international experience, in particular in regard to the procurement of medical equipment and development of technical specifications therefor, acceptable to the Association, and under terms of reference satisfactory to the Association.

Project Implementation

4. To guide the implementation of the Project, the Borrower:

(a) shall, through MOH and the CPMU, develop and adopt an Operations Manual acceptable to the Association, which sets forth, inter alia:

(i) a financial management manual with guidelines for financial management, control and reporting, and audit requirements;

(ii) guidelines for the preparation of annual work programs by the LPMUs;

(iii) criteria and guidelines for the selection of pilot Provinces among the Project Provinces for participation in Parts A.3 and A.4 of the Project;

(iv) guidelines for the preparation, review and appraisal of action plans submitted by Project Provinces under Part A.2 of the Project or by pilot Provinces under Parts A.3 and A.4 of the Project, and for the allocation and disbursement of related Sub-grants to support the approved action plans;
(v) guidelines for the assessment of equipment needs and procurement proposals in connection with the expansion of curative care capacity of hospitals and health facilities in the Project Provinces and of CTCGH under Part B of the Project, including technical review and assessment of coverage of the poor and performance of the relevant health facility;

(vi) procurement guidelines and procedures consistent with the provisions of Schedule 3 to this Agreement;

(vii) the Ethnic Minorities Policy Framework and the Ethnic Minorities Development Plan; and

(viii) the Medical Waste Management Plan;

(b) shall cause each Project Province, through its respective LPMU, and the LPMUs of CTCGH and CTUMP to adopt and comply with the provisions of said Operations Manual; and

(c) shall not amend, revise or waive, or cause to be amended, revised or waived, the provisions of the Operations Manual without the prior concurrence of the Association.

5. The Borrower shall:

(a) through the CPMU, develop and put into effect a financial management system, including financial accounting and chart of accounts, such that Project financial information, disaggregated by Project components, sub-components, categories of expenditures and by provinces, can be captured, summarized and reported, all in a manner satisfactory to the Association;

(b) provide and cause to be provided training to the financial staff of the CPMU and all LPMUs in the implementation of the financial management manual referred to in paragraph 4 (a)(i) of this Schedule 4 and in the application of said financial management system, in a manner satisfactory to the Association; and

(c) by no later than September 30, 2006, appoint, or engage under contract, an internal auditor with qualifications, experience and under terms of reference satisfactory to the Association; said internal auditor to be responsible for carrying out annual reviews of the financial management system under the Project, procurement activities, use of funds, and the general internal control environment; and provide to the Association for its review, promptly after their issuance, all reports and, if any, all recommendations made by said auditor.

6. For purposes of Part A of the Project:
(a) By no later than June 30, 2007, the Borrower shall, through CPMU assisted by the Regional Advisory Committee, select among the Project Provinces pilot Provinces to participate in Parts A.3 and A.4 of the Project in accordance with criteria acceptable to the Association and set forth in the Operations Manual;

(b) as a basis for each Sub-grant application, each Project Province, or each pilot Province, as the case may be, through its respective Fund Management Board shall prepare and submit to the CPMU for its review and approval a time-bound action plan to enhance access to health care services for the Poor and Near-Poor, including proposed mechanisms to provide catastrophic health care costs coverage, to increase enrollment in voluntary health insurance, and/or to expand the reach and availability of the Health Care Fund for the Poor, including proposed methodology for establishing eligibility criteria, benefits packages and eligible expenditures;

(c) the Borrower through the CPMU shall not make any Sub-grant available to a Province without the prior concurrence of the Association;

(d) the Borrower through the CPMU shall not make any disbursement under a Sub-grant to finance an approved action plan unless and until the Fund Management Board of said Province has: (A) appointed or engaged a financial officer with qualifications and experience and under terms of reference satisfactory to the Association to be responsible for the financial accounting and reporting of the proceeds of the Sub-grants; and (B) entered into a Sub-grant agreement with the Borrower through the CPMU, in form and substance acceptable to the Association, whereby the CPMU has obtained rights adequate to protect the interests of the Borrower and the Association, including the rights to:

(i) require the Fund Management Board to carry out its action plan with due diligence and efficiency, sound financial management standards, and to maintain adequate records;

(ii) require the Fund Management Board to follow procurement guidelines and procedures consistent with the provisions of Schedule 3 to this Agreement for the procurement of goods and services for any Innovation Activity under Part A.4 (a) of the Project;

(iii) inspect, by itself, or jointly with the LPMU of said Province, and representatives of the Association, if the Association shall so request, any relevant records and documents; and

(iv) suspend or terminate the right of the Fund Management Board to the use of the proceeds of the Sub-grant upon failure of its obligations under its respective Sub-grant agreement.
(e) the Borrower through the CPMU shall only disburse the second and last instalment of a Sub-grant upon receipt of a certification by the LPMU of the relevant Province of satisfactory implementation by the Fund Management Board of the action plan, and upon the prior concurrence of the Association.

7. For purposes of Parts B.1 and B.2 of the Project and the expansion thereunder of the services of the hospitals and health facilities of the Project Provinces and of CTCGH, the Borrower through the CPMU shall finance the procurement of Phase 2 equipment only upon receipt of a financing and personnel training plan, satisfactory to the Association, adequate to support the operation of the equipment proposed to be acquired.

8. For purposes of Part D of the Project and the development of training activities to improve the capacity of the health workforce to deliver quality health care especially for the poor, the Borrower shall, through MOH:

(a) by no later than December 31, 2006, carry out, and cause the Project Provinces to carry out, an assessment of training needs taking into account the human resources plans and policies of the health system in the Project Provinces;

(b) provide, to the Association for its review and comments, a report of said assessment together with the recommendations derived therefrom on the priorities and sequencing of training activities; and

(c) thereafter, cause the Project Provinces to incorporate such priorities and sequencing into their training plans, giving due consideration to the Association’s views thereon.

9. The Borrower:

(a) shall cause each of the Project Provinces, CTCGH and CTUMP to prepare, in accordance with the procedures set forth in the Operations Manual, and by no later than August 31 of each year, commencing in 2006, submit to the CPMU for its review and approval an annual work program, including the program of training and the procurement plan, for the implementation of its respective activities under the Project during the next succeeding calendar year, together with the estimated budget therefor;

(b) shall not advance nor reimburse nor make any direct payment to or for the account of any Project Province or CTCGH or CTUMP, as the case may be, until said Project Province or CTCGH or CTUMP has submitted said annual work program and CPMU has reviewed and approved said program, in accordance with the guidelines and procedures set forth in the Operations Manual.

10. The Borrower shall:

(a) by no later than October 31 of each year, commencing in 2006, prepare, under terms of reference satisfactory to the Association and on the basis of the annual
work program submitted by all Project Provinces and CTCGH and CTUMP and referred to in paragraph 9 above, a consolidated annual work program for the implementation of the Project in the next succeeding calendar year, together with a consolidated budget therefor, and furnish said program to the Association for its review and comment; and

(b) thereafter, carry out such annual work program, and cause each Project Province and CTCGH and CTUMP to carry out their respective annual work programs, as shall have been agreed with the Association, in a manner satisfactory to the Association.

Ethnic Minorities; Environment

11. The Borrower shall, through MOH:

(a) implement, and cause the Project Provinces to implement, the Ethnic Minorities Policy Framework and the Ethnic Minorities Development Plan in a manner satisfactory to the Association;

(b) furnish, and cause to be furnished, to the Association for its prior review any revision proposed to be introduced to said Framework or said Development Plan in order to achieve their objectives, and thereafter introduce into said Framework or said Development Plan, such revision as shall have been agreed with the Association; and

(c) maintain, and cause to be maintained, policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Framework and Development Plan, and the achievement of their objectives.

12. The Borrower shall, through MOH:

(a) carry out, and cause the Project Provinces and CTCGH to carry out, the Medical Waste Management Plan in a manner satisfactory to the Association and designed to ensure that the Project is implemented in accordance with sound environmental standards and practices;

(b) provide to the Association for its prior review any revision proposed to be introduced into said Plan in order to achieve its objectives, and thereafter introduce such revision into said Plan as shall have been agreed with the Association; and

(c) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Plan and the achievement of its objectives.

Monitoring and Reporting
13. Promptly upon completion of two years of implementation of the activities under Parts A.2 (a), A.3 (a) and A.4 (a) of the Project, the Borrower shall: (a) carry out a comprehensive assessment of the impacts of such activities on the level of access to and coverage of health services for the Poor and Near-Poor in the Project Provinces; and (b) review with the Association the results and recommendations of said assessment.

14. The Borrower shall:

   (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

   (b) prepare, under terms of reference satisfactory to the Association, and by no later than March 31 of each year, commencing in 2007, furnish to the Association a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 14, 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 the achievement of the objectives thereof during the period following such date;

   (c) prepare, under terms of reference satisfactory to the Association, and by no later than March 31, 2009, furnish to the Association a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 14, 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 the achievement of the objectives thereof during the period following such date; said report to include the results of a review of the national health budget allocation practices in respect of the Mekong Region Provinces, and proposed norms of health services coverage for the Poor and Near-Poor and mechanisms of budgetary allocation and targeted transfers sufficient to enable said Provinces to provide health service coverage according to said health service norms;

   (d) promptly review with the Association, each of the reports referred to in sub-paragraphs (b) and (c) of this paragraph 14 and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter, as well as discuss with the Association a plan of action to follow up on the review of the health budget allocation practices.
SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

   (a) the term “eligible Categories” means Categories (1), (2),(3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

   (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit 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 $4,000,000, to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to $2,000,000, until the aggregate amount of withdrawals from the Credit Account allocated to eligible Categories plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for the Project shall be equal to or exceed the equivalent of SDR10,000,000.

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

3. After the Association 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 Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into 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 Association requests for deposits into the Special Account at such intervals as the Association shall specify.

   (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit 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 Association from the Credit 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 Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the Special Account, minus the total amount of all outstanding special commitments entered into by the Association 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 Credit Account of the remaining un withdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association 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 Association 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 Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association 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 Association 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 Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.